

MARKING SCHEME Business Studies (Subject Code-054) (PAPER CODE : 66/4/1)		
Q. No.	EXPECTED OUTCOMES/VALUE POINTS	Marks
1.	Q. Kabir purchased a luxury car for ₹ 2 crores from a well-known car dealer named ‘Global Motors’. Within a few days, he found serious defects in the car. When he contacted ‘Global Motors’, they refused to repair or replace the car. Kabir then filed a case in the appropriate consumer court. However, he was not satisfied with the orders of this court. Where can Kabir file an appeal now ? (A) District Commission (B) State Commission (C) National Commission (D) Supreme Court Ans. (C) National Commission	1 Mark
2.	Q. Sharad was the Operations Manager at ‘Nova Ltd.’ He assigned the task of completing an urgent order to Anita, the Production Supervisor. She was given the authority to plan the work and meet the deadline. Anita further assigned the work to Rohit, a machine operator and asked him to finish it by the end of the day. Rohit did not complete the task on time, due to which the company failed to deliver the order. Who is accountable to Sharad for non-completion of the work ? (A) Rohit (B) Anita (C) Both Rohit and Anita (D) Sharad himself Ans. (B) Anita	1 Mark
3.	Q. Read the following statements : Assertion (A) and Reason (R). Assertion (A) : Motivation can be either positive or negative. Reason (R) : Individuals are heterogeneous in their expectations, perceptions and reactions. Choose the correct alternative from the options 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) Both Assertion (A) and Reason (R) are false. (D) Assertion (A) is true, but Reason (R) is false. Ans. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is <i>not</i> the correct explanation of Assertion (A).	1 Mark

4.	Q. ‘Planning requires application of mind involving foresight, intelligence imagination and sound judgement.’ The feature of planning reflected by the above statement is : (A) Planning is futuristic (B) Planning involves decision-making (C) Planning is a mental exercise (D) Planning is continuous Ans. (C) Planning is a mental exercise	1 Mark
5.	Q. ‘The business environment differs from country to country and even region to region.’ The feature of business environment reflected in the above statement is : (A) Relativity (B) Complexity (C) Uncertainty (D) Dynamic nature Ans. (A) Relativity	1 Mark
6.	Q. The pouch depicted below contains packets of different flavours of chips. Identify the level of packaging of the pouch :  (A) Primary (B) Secondary (C) Transportation (D) General Ans. (B) Secondary Note : The following question is for the <i>Visually Impaired Candidates</i> only in lieu of Q. No. 6. ‘It involves a variety of programmes designed to promote or protect a company’s image and its individual products in the eyes of the public.’ The promotion tool being referred to in the above statement is : (A) Advertising (B) Personal Selling (C) Sales Promotion (D) Public Relations Ans. (D) Public Relations	1 Mark 1 Mark
7.	Q. Identify the <i>incorrect</i> statement with respect to the importance of business environment : (A) It helps in coping with rapid changes (B) It helps in tapping useful resources	

	(C) It helps in assisting in planning and policy formulation (D) It helps in increasing political instability and thus build the confidence of people to invest in long term projects Ans. (D) It helps in increasing political instability and thus build the confidence of people to invest in long term projects	1 Mark
8.	Q. Read the following statements : Assertion (A) and Reason (R). Assertion (A) : The cost of debt is higher than the cost of equity for a firm. Reason (R) : The lender's risk is lower than the equity shareholder's risk, since the lender earns an assured return and repayment of capital. Choose the correct alternative from the options 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, but Reason (R) is false. (D) Assertion (A) is false, but Reason (R) is true. Ans. (D) Assertion (A) is false, but Reason (R) is true.	1 Mark
9.	Q. 'Cosy Garments' started the manufacturing of jackets in September, 2025. They expected a rise in the demand for jackets during the winter season. To handle the increased workload, the Production Manager estimated the number of workers required during peak production days and planned accordingly. The type of plan highlighted in the above case is : (A) Budget (B) Policy (C) Method (D) Objective Ans. (A) Budget	1 Mark
10.	Q. 'Agri Solutions', a fast-growing agri-tech company, was facing a problem of employees leaving the organisation frequently. As a result, work suffered and time and money were spent repeatedly on recruitment and training. On investigation, it was found that the problem was due to employees not getting sufficient time to settle into their new roles. So the company decided to keep their employees at the same position for a minimum tenure and give them sufficient time to show results. This led to a significant reduction in employee turnover and improvement in organisational efficiency. The principle of management highlighted in the above case is : (A) Order (B) Stability of Personnel (C) Division of Work (D) Authority and Responsibility Ans. (B) Stability of Personnel	1 Mark

11.	Q. _____ is the framework within which the managerial and operating tasks are performed. (A) Organising (B) Organisational structure (C) Delegation (D) Decentralisation Ans. (B) Organisational structure	1 Mark
12.	Q. Rohit is a manager at a furniture manufacturing company. The company holds an annual sale in the month of December, which is very popular. Rohit prepares the production plans for the annual sale well in advance, in the month of June every year. After planning, he ensures that enough workers are available and continuously monitors whether the work is progressing as scheduled or not. He also informs the marketing team well in time so that they can plan their promotional campaigns accordingly. The feature of coordination highlighted in the above case is : (A) Coordination is an all-pervasive function. (B) Coordination is a continuous process. (C) Coordination is a deliberate function (D). Coordination is the responsibility of all managers. Ans. . (B) Coordination is a continuous process.	1 Mark
13.	Q. Choose the statement that correctly highlights the advantage of Divisional Structure : (A) It facilitates expansion and growth, as new divisions can be added without interrupting the existing operations. (B) It helps in increasing managerial and operational efficiency, resulting in increased profit. (C) It makes training of employees easier, as the focus is on a limited range of skills. (D) It promotes control and coordination within a department because of similarity in the tasks being performed. Ans. (A) It facilitates expansion and growth, as new divisions can be added without interrupting the existing operations.	1 Mark
14.	Q. Identify the <i>incorrect</i> statement with respect to the feature of Directing function of management : (A) Directing is a continuous process (B) Directing flows from top to bottom (C) Directing takes place at top level of management only (D) Directing initiates action Ans. (C) Directing takes place at top level of management only	1 Mark
15.	Q. Match the incentives given in Column I with their meanings given in Column II.	

	<table><tr><th>Column I</th><th>Column II</th></tr><tr><td>1. Job Security</td><td>(i) Involving employees in decision-making of the issues related to them</td></tr><tr><td>2. Job Enrichment</td><td>(ii) Providing opportunities to employees to improve their skills and be promoted to higher level jobs</td></tr><tr><td>3. Career Advancement Opportunity</td><td>(iii) Stability about future income and work</td></tr><tr><td>4. Employee Participation</td><td>(iv) Designing jobs that include greater variety of work content and higher levels of knowledge and skill</td></tr></table> Choose the correct option from the following : (A) 1-(iii), 2-(iv), 3-(ii), 4-(i) (B) 1-(iii), 2-(i), 3-(ii), 4-(iv) (C) 1-(iv), 2-(iii), 3-(ii), 4-(i) (D) 1-(i), 2-(ii), 3-(iii), 4-(iv) Ans. (A) 1-(iii), 2-(iv), 3-(ii), 4-(i)	Column I	Column II	1. Job Security	(i) Involving employees in decision-making of the issues related to them	2. Job Enrichment	(ii) Providing opportunities to employees to improve their skills and be promoted to higher level jobs	3. Career Advancement Opportunity	(iii) Stability about future income and work	4. Employee Participation	(iv) Designing jobs that include greater variety of work content and higher levels of knowledge and skill	1 Mark
Column I	Column II											
1. Job Security	(i) Involving employees in decision-making of the issues related to them											
2. Job Enrichment	(ii) Providing opportunities to employees to improve their skills and be promoted to higher level jobs											
3. Career Advancement Opportunity	(iii) Stability about future income and work											
4. Employee Participation	(iv) Designing jobs that include greater variety of work content and higher levels of knowledge and skill											
16.	Q. ‘The larger the lead time, the larger the quantity of material to be stored, and the larger shall be the amount of working capital required.’ The factor affecting the requirement of working capital discussed in the above statement is : (A) Operating efficiency (B) Inflation (C) Availability of raw material (D) Production cycle Ans. (C) Availability of raw material	1 Mark										
17.	Q. Read the following statements carefully : Statement I : Planning and controlling are both forward-looking as well as backward-looking. Statement II : Planning is evaluative, whereas controlling is prescriptive. In the 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										
18.	Q. Dinkar, the General Manager at ‘Tara Lamps’ noticed that rising costs were affecting the company’s profits. To increase the profits, he decided to reduce the costs and increase the productivity. He planned for rearrangement of work processes, assigned the tasks according to workers’ skills, gave clearer directions to employees than before and regularly controlled the activities of the organisation. This not only resulted in cost reduction but also in increased productivity and profits.											

	The point of importance of management highlighted in the above case is: (A) Management creates a dynamic organisation (B) Management helps in achieving personal objectives (C) Management helps in the development of a society (D) Management increases efficiency Ans. (D) Management increases efficiency	1 Mark
19.	Q. Read the following statements carefully : <i>Statement I :</i> The production concept assumes that the customers will not buy, or not buy enough, unless they are adequately convinced and motivated to do so. <i>Statement II :</i> The selling concept assumes that the consumers will favour those products which are widely available at an affordable price. In the 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 false. (D) Both Statement I and Statement II are true. Ans. (C) Both Statement I and Statement II are false.	1 Mark
20.	Q. ‘The first step in the controlling process is setting up of performance standards.’ Identify the correct order of the subsequent steps of the controlling process. (A) Comparing actual performance with standards, Taking corrective action, Analysing deviations, Measurement of actual performance (B) Measurement of actual performance, Comparing actual performance with standards, Analysing deviations, Taking corrective action (C) Measurement of actual performance, Taking corrective action, Comparing actual performance with standards, Analysing deviations (D) Analysing deviations, Measurement of actual performance, Comparing actual performance with standards, Taking corrective action Ans. (B) Measurement of actual performance, Comparing actual performance with standards, Analysing deviations, Taking corrective action	1 Mark
21.	Q. ‘Delicious Salads’ was a company that supplied packaged salads to the supermarkets. Recently, the management noticed that a large amount of vegetables were getting spoiled every week. This was increasing the costs and reducing the profits because of which the	

	company was not able to achieve its goals. To solve this, the Production Manager, Meera was asked to take charge of the situation and bring the wastage under control. Meera found that the vegetable cleaning, cutting and packing departments were working at their own pace, leading to the spoilage of vegetables. Meera started out by setting standards for each of the departments, which were well coordinated with one another. Each activity would be performed in accordance with those standards. Within a month, 'Delicious Salads' was able to supply the salads with minimum wastage and achieve its goals. Explain the two points of importance of the controlling function of management discussed in the above case. Ans. <u>Importance of the controlling function of management discussed in the above case are:(Any TWO)</u> (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 guides the organisation and keeps it on the right track so that organisational goals might be achieved. (ii) Making efficient use of resources: • A manager seeks to reduce wastage and spoilage of resources as each activity is performed in accordance with predetermined standards and norms. • It ensures that resources are used in the most effective and efficient manner. (iii) Facilitating coordination in action: • Each department and employee is governed by pre-determined standards which are well coordinated with one another. • Controlling provides direction to all activities and efforts for achieving organisational goals.	½ mark for the heading + 1 mark for explanation 1 ½ x 2 = 3 Marks						
22.	Q.(a) State any three points of difference between Formal organisation and Informal organisation. Ans. <u>Difference between Formal organisation and Informal organisation(Any THREE):</u> <table border="1"> <thead> <tr> <th>Basis</th><th>Formal organisation</th><th>Informal organisation</th></tr> </thead> <tbody> <tr> <td>Meaning</td><td>Formal organisation refers to structure of authority relationships</td><td>Informal organisation refers to network of social relationships arising out of</td></tr> </tbody> </table>	Basis	Formal organisation	Informal organisation	Meaning	Formal organisation refers to structure of authority relationships	Informal organisation refers to network of social relationships arising out of	
Basis	Formal organisation	Informal organisation						
Meaning	Formal organisation refers to structure of authority relationships	Informal organisation refers to network of social relationships arising out of						

	created by the management	interaction among employees
Origin	It arises as a result of company rules and policies	It arises as a result of social interaction
Authority	It arises by virtue of position in management	It arises out of personal qualities
Behaviour	It is directed by rules	There is no set behaviour pattern
Flow of Communication	Communication takes place through the scalar chain	Flow of communication is not through a planned route. It can take place in any direction
Nature	Formal organisation is rigid	Informal organisation is flexible
Leadership	Managers are leaders.	Leaders may or may not be managers. They are chosen by the group.

**1x 3
=
3 Marks**

OR

(b). State any three points of difference between Divisional structure and Functional structure of an organisation.

Ans. Difference between Divisional structure and Functional structure of an organisation (Any THREE):

Basis	Divisional Structure	Functional Structure
Formation	Formation of divisional structure is based on product lines and is supported by functions.	Formation of functional structure is based on functions.
Specialisation	There is product specialisation.	There is functional specialisation.
Responsibility	It is easy to fix responsibility for performance.	It is difficult to fix responsibility on a department.
Managerial Development	Managerial development is easier, because autonomy as well as the chance to perform multiple functions helps in	Managerial development is difficult, as each functional manager has to report to the top management.

OR

		managerial development.		
	Cost	There is duplication of resources in various departments, hence it is costly.	Functions are not duplicated hence it is economical.	
	Coordination	Coordination is easy, because all functions related to a particular product are integrated in one department.	Coordination is difficult for a multi- product company.	
				1 x 3 = 3 Marks
23.	Q. ‘Tiva Motors’ planned to set up a new manufacturing unit for the electric scooters in Varanchal. One important consideration for setting up of the unit in Varanchal was that the government in Varanchal had been stable for several years. This had built confidence among business people to invest in long-term projects there. They understood that an adequate knowledge of the rules and regulations framed by the government is a prerequisite for a good business performance. So, before starting the operations, the company decided to obtain licences under environmental laws and necessary permissions from the government departments. Identify and explain the two dimensions of business environment that are highlighted in the above case. Ans. The two dimensions of business environment that are highlighted in the above case are: (i) Political Environment : Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business. (ii) Legal Environment: Legal environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government.			½ mark for identifying the dimension + 1 mark for explanation 1 ½ x 2 =3 Marks
24.	Q.(a) Differentiate between Capital Market and Money Market on the basis of : (i) Participants (ii) Liquidity (iii) Duration			

Ans. Difference between Capital Market and Money Market:

Basis	Capital Market	Money Market
(i) Participants	The participants in capital market are financial institutions, banks, corporate entities, foreign investors and ordinary retail investors from members of the public.	Participants in money market are, by and large, institutional participants such as the RBI, banks, financial institutions and finance companies; individual investors although permitted to transact in the secondary money market, do not normally do so.
(ii) Liquidity	Capital market securities are considered liquid investments because they are marketable on the stock exchanges.	Money market instruments enjoy a higher degree of liquidity as there is formal arrangement for this, for example, the Discount Finance House of India (DFHI) has been established for the specific objective of providing a ready market for money market instruments.
(iii) Duration	The 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**

OR

OR

(b) Explain how the following factors affect the requirements of fixed capital of a company :

- (i) Nature of the business**
- (ii) Technology upgradation**
- (iii) Level of collaboration**

Ans.

(i) Nature of the business:

- The type of business has a bearing upon the fixed capital requirements.
- 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) Technology upgradation:

- Industries or organisations which use assets which are prone to obsolescence require higher fixed capital to purchase fixed assets.
- This is so because replacement of fixed assets becomes due faster.

	(iii) Level of collaboration: • Certain business organisations share each other's facilities when the scale of operations of each one of them is not sufficient to make full use of the facility. • Such collaboration reduces the level of investment in fixed assets for each one of the participating organisations.	1 x 3 =3 Marks
25.	Q.(a) Explain the following features of principles of management : (i) Cause and effect relationship (ii) Contingent Ans. (i) Cause and effect relationship: • The principles of management are intended to establish relationship between cause and effect so that they can be used in similar situations in a large number of cases. • In real life, situations are not identical and therefore accurate cause and effect relationships may be difficult to establish; however, principles of management assist managers in establishing these relationships to some extent and are therefore useful. (ii) Contingent: • The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. • Their application has to be changed as per requirements. OR (b) Explain the following techniques of scientific management : (i) Motion Study (ii) Differential Piece Wage System Ans. (i) Motion Study: • It refers to the study of movements like lifting, putting objects, sitting, etc. which are undertaken while doing a typical job. • Unnecessary/unproductive movements are sought to be eliminated so that it takes less time to complete the job efficiently. (ii) Differential Piece Wage System: • In order to differentiate between efficient and inefficient workers, and reward efficient workers, there should be different rate of wage payment for those who performed standard and more than standard and for those who performed below standard. • According to Taylor, the difference would be enough for the inefficient worker to be motivated to perform better.	2 x 2 =4 Marks OR 2 x 2 =4 Marks

26.	Q. State any four responsibilities of a consumer under the Consumer Protection Act, 2019. Ans. <u>Responsibilities of a consumer under the Consumer Protection Act, 2019(Any FOUR) :</u> (i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made. (ii) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery, etc. (iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely. (iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc. (v) Assert yourself to ensure that you get a fair deal. (vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding, etc. (vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made. (viii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small. (ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests. (x) Respect the environment. Avoid waste, littering and contributing to pollution.	1 x 4 =4 Marks
27.	Q. Arjun and Neha were close friends. They had studied together in the same school. After completing their higher education, both of them joined a company named 'Apex Ltd.' in different roles, based on their qualifications. Arjun's role involved analysing the business environment and its implications for the survival of the firm. He was also responsible for the welfare and survival of the organisation. Neha, on the other hand, was heading the marketing department in the organisation. Her responsibility was to ensure that her department had the necessary personnel. In addition to many other responsibilities, she had to motivate them to achieve desired objectives. Apart from the functions mentioned in the above case, state two more functions each for Arjun and Neha that they would perform at the level at which they are working. Ans. Functions performed by Arjun at the top level of management other than those mentioned above are:(Any TWO)	

	(i) To integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organisation. (ii) To formulate overall organisational goals and strategies for their achievement. (iii) To be responsible for all the activities of the business and for its impact on society. Functions performed by Neha at the middle level of management other than those mentioned above are:(Any TWO) (i) To interpret the policies framed by top management (ii) To assign necessary duties and responsibilities to personnel of the department. (iii) To co-operate with other departments for smooth functioning of the organisation. (iv) To be responsible for all the activities of first line managers. (v) To implement and control plans and strategies developed by the top management.	1x2=2 + 1x2=2 =4 Marks
28.	Q. ‘Sabka Consumer Forum’, a well-known non-governmental organisation (NGO), has been working for the welfare of the consumers. Its main aim is to educate the general public about consumer rights by organising training programmes, seminars and workshops. Seeing the growing need for awareness, the NGO started publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of consumer interest. These publications became very popular and people began approaching the NGO for guidance. One day, a group of residents from a nearby housing society approached ‘Sabka Consumer Forum’. They had purchased water purifiers from a company, which turned out to be defective. Even after repeated complaints, the company had failed to respond. ‘Sabka Consumer Forum’ studied the case and decided to file a complaint on behalf of the consumers in the appropriate consumer court. Apart from the functions mentioned in the above case, state any four other functions which may be performed by ‘Sabka Consumer Forum’ for protecting and promoting consumer interests. Ans. Apart from the functions mentioned in the above case, four other functions which may be performed by ‘Sabka Consumer Forum’ are: (i) Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers. (ii) Encouraging consumers to strongly protest and take an action against unscrupulous, exploitative and unfair trade practices of sellers. (iii) Providing legal assistance to consumers by way of providing aid, legal advice etc. in seeking legal remedy.	1 x 4

	(iv) Taking an initiative in filing cases in consumer courts in the interest of the general public , not for any individual.	=4 Marks
29.	Q. Rhea runs an online business selling handmade candles. During the Diwali season, the demand for her handmade scented candles increases a lot. A month before Diwali, she received a big order from a chain of gift stores in and around the city. Rhea immediately checked the order details and processed it. She was aware that it was important to provide for accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in the wrong quantity or specifications. After processing the order, Rhea arranged a vehicle to pick up the cartons from her workshop. She knew that the products can reach the customers only when they are physically moved from the place of production to the place of sale. The vehicle delivered the order at the gift chain's warehouse well before the festive rush. (a) Identify the two components of physical distribution that Rhea managed effectively. (b) Explain the other two components of physical distribution that Rhea needs to work on. Ans. (a) Two components of physical distribution that Rhea managed effectively are: (i) Order processing (ii) Transportation (b) Two other components of physical distribution that Rhea needs to work on are:- (i) Warehousing - Warehousing refers to the act of storing and assorting products in order to create time utility in them. - The need for warehousing arises because there may be difference between the time a product is produced and the time it is required for consumption. (ii) Inventory Control - It involves deciding about the level of inventory. Higher the level of inventory, higher will be the level of service to customers but the cost of carrying the inventory will also be high because lot of capital would be tied up in the stock. - It helps in maintaining a balance in respect of the cost and customer satisfaction.	$\frac{1}{2}$ + $\frac{1}{2}$ =1 Mark $\frac{1}{2}$ 1 $\frac{1}{2}$ 1 1+3 =4 Marks
30.	Q. 'Neo Appliances Ltd.', a company known for its innovative kitchen devices was established in 2001. Over the years, the company performed well and the market value of its shares increased. Rajan had bought	

	shares of 'Neo Appliances Ltd.' many years ago. He sold some of the shares to arrange money for his daughter's higher education. He shared with his friend Madhur how his investment had multiplied over the years. Madhur was impressed and wanted to start investing in shares. He asked Rajan in which market he had sold his shares and whether it was safe to invest in that market. Rajan said, yes this market provides safety of transactions to investors. (a) Name the market in which Rajan sold his shares. (b) Identify and explain the function of the above market which facilitated Rajan in selling his shares. (c) Explain how the market identified in (a) above provides safety of transactions to investors. Ans. (a) The market in which Rajan sold his shares is Secondary Market/Stock Exchange. (b) The function of the above market which facilitated Rajan in selling his shares is 'Providing Liquidity and Marketability to Existing Securities'. • It creates a continuous market where securities are bought and sold which provides liquidity to existing securities. • It gives investors the chance to disinvest and reinvest which provides marketability to existing securities. (c) Safety of transactions to investors is provided as: • The membership of a stock exchange is well- regulated and its dealings are well defined according to the existing legal framework. • This ensures that the investing public gets a safe and fair deal on the market.	1 + 1 + 1 + 1 =4 Marks
31.	Q. 'Alpha Electronics' had recently received a large order for the supply of electronic control panels. The management was under pressure to deliver it on time. When one of the production lines started malfunctioning, the Production Manager, Suresh, was concerned. Although 'Alpha Electronics' was an organisation with highly centralised pattern where free communication was not encouraged. Suresh, still decided to call his senior technician, Manoj, to understand the problem. Suresh had the reputation of being unapproachable. He was conscious of his seniority and position so he rarely encouraged his subordinates to speak freely. Manoj was nervous as the production line was damaged due to his own negligence and he thought sharing it with his senior, Suresh, would adversely affect his interests. Anyhow, he had to go to Suresh's office. When Manoj entered Suresh's office, he saw that Suresh was pre-occupied with an important file before him. Suresh asked Manoj to explain what the problem was. Manoj reluctantly started explaining, but he felt that Suresh wasn't listening to him. So Manoj did not share the complete information and the problem in the production line could not be rectified on time. Identify and explain four communication barriers discussed in the above case.	

	Ans. <u>Communication barriers discussed above are:</u> (i) Organisational policy: If the organisational policy, explicit or implicit, is not supportive to free flow of communication, it may hamper effectiveness of communications. (ii) Status: Status of superior may create psychological distance between him and his subordinates. A status conscious manager also may not allow his subordinates to express their feelings freely. (iii) Lack of attention: The preoccupied mind of receiver and the resultant non-listening of message acts as a major psychological barrier. (iv) Unwillingness to communicate: Sometimes, subordinates may not be prepared to communicate with their superiors, if they perceive that it may adversely affect their interests.	½ mark for identifying and 1 mark for explanation 1 ½ x 4 = 6 Marks
32.	Q.(a) Explain the following points of limitations of planning : (i) Planning reduces creativity (ii) Planning leads to rigidity (iii) Planning does not guarantee success Ans. (i) 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 as others, leaving little scope for new or innovative ideas. (ii) 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 decides 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 as following a pre-decided plan, when circumstances have changed, may not turn out to be in the organisation's interest. (iii) Planning does not guarantee success: - Managers tend to rely on previously tried and tested successful plans, but it is not always true that just because a plan has worked before it will work again.	2 x 3

	- This kind of complacency and false sense of security may actually lead to failure instead of success. OR (b) Explain the following points of importance of organising : (i) Adaptation to change (ii) Effective administration (iii) Expansion and growth Ans. (i) Adaptation to change: - To accommodate changes in the business environment, the process of organising allows the organisation structure to be suitably modified and inter relationships amongst managerial levels be revised. - This provides much needed stability to the enterprise as it can then continue to survive and grow inspite of changes. (ii) Effective administration: - Organising provides a clear description of jobs and related duties, which helps to avoid confusion and duplication. - Clarity in working relationships enables proper execution of work and brings effectiveness in administration. (iii) Expansion and growth: - Organising helps in the growth and diversification of an enterprise by enabling it to deviate from existing norms and taking up new challenges. - It allows a business enterprise to add more job positions, departments, new product lines and new geographical territories to current areas of operation.	=6 Marks OR 2 x3 =6 Marks
33.	Q. ‘Quality Foods Ltd.’, a company manufacturing packaged snacks has been in business for the last 10 years. It enjoys a good reputation and has a loyal customer base. This financial year, the profits of the company increased manifold as the company introduced a new range of baked snacks that became very popular. As the year came to an end, the company had to decide how much dividend to pay to its shareholders. In view of the above and with the understanding that investors, in general, view an increase in dividend as good news and stock prices react positively to it, the Board of Directors were keen on declaring a high dividend. However, the Chief Finance Officer of the company pointed out that they need to keep many considerations in mind before declaring dividend. He drew the attention of the Board of Directors to the loan that the company has taken, containing a clause that imposes restriction on the payment of dividend. Further, he pointed out that even though the profits were high, a large amount of money was tied to the amounts receivables from the debtors. Without enough cash in hand, announcing	

	a high dividend may not be practical. He also reminded the Board of Directors that ‘Quality Foods Ltd.’ was planning to expand into the breakfast cereal market. Since this new project will require a huge investment, the company will need to retain more money out of their earnings to finance it. (a) Identify and explain any two factors affecting dividend decision that would have influenced the decision of the Board of Directors to pay a high dividend. (b) Identify and explain any two factors to which the Chief Finance Officer drew the attention of the Board of Directors. Ans. (a) Two factors affecting dividend decision that would have influenced the decision of the Board of Directors to pay a high dividend are: (i) Amount of Earnings: - Dividends are paid out of current and past earnings. - Therefore, earnings is a major determinant of the decision about dividend. (ii) Stock Market Reaction: - Investors, generally, view an increase in dividend as a good news and stock prices react positively to it. - A decrease in dividend may have a negative impact on the share prices in the stock market. (b) Two factors to which the Chief Finance Officer drew the attention of the Board of Directors are: (Any Two) (i) Contractual Constraints: The companies are required to ensure that the dividend does not violate the terms of the loan agreement which may impose restrictions on payment of dividend in future. (ii) Cash Flow Position: The payment of dividend involves an outflow of cash. Availability of enough cash in the company is necessary for declaration of dividend. (iii) Growth Opportunities: The dividend in growth companies is smaller than that in the non growth companies because companies having good growth opportunities retain more money out of their earnings so as to finance the required investment.	$\frac{1}{2}$ 1 $\frac{1}{2}$ 1 $\frac{1}{2}$ Mark for identifying and 1 Mark for explanation $1 \frac{1}{2} \times 2 = 3$ Marks $3+3 = 6$ Marks
34.	Q. (a) Explain the following steps in the process of staffing : (i) Selection (ii) Promotion and Career Planning (iii) Compensation	

Ans.

(i) Selection:

- Selection is the process of choosing from among the pool of the prospective job candidates developed at the stage of recruitment.
- The purpose of selection process is to ensure that the organization gets the best among the available and enhances the self-esteem and prestige of those selected.

(ii) Promotion and Career Planning:

- Promotions refer to being placed in positions of increased responsibility and usually mean more pay, responsibility and job satisfaction.
- To address career related issues and promotional avenues for their employees, managers need to design activities to serve employees' long-term interests and encourage employees to grow and realise their full potential.

(iii) Compensation:

- Compensation refers to all forms of pay or rewards going to employees in the form of direct financial payments like wages, salaries, etc and indirect payments like employer paid insurance and vacations.
- Direct financial payments are of two types : time based or performance based. Certain pay plans can be created which are a combination of time based pay plus incentives for higher performance.

2 x3

=6 Marks

OR

OR

(b) Explain the following external sources of recruitment :

(i) Direct Recruitment

(ii) Casual Callers

(iii) Labour Contractors

Ans.

(i) Direct Recruitment:

- Under the direct recruitment, a notice is placed on the noticeboard of the enterprise specifying the details of the jobs available, job seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot.
- The practice of direct recruitment is followed usually for casual workers for unskilled or semiskilled jobs, who are paid remuneration on daily wage basis.

(ii) Casual Callers:

	• A database of unsolicited applicants is kept in the offices. A list of job seekers can be prepared and screened to fill the vacancies as they arise. • It reduces the cost of recruiting workforce in comparison to other sources. (iii) Labour Contractors: • Labour contractors, who may be employees of the organisation, maintain close contacts with labourers and provide the required number of unskilled workers at short notice. • However, when the contractor himself decides to leave the organisation, all the workers employed through him will follow suit.	2 x 3 =6 Marks
--	--	--