

Answers to RBS–DS1/Set-1

1. (a) effective; efficient
2. (d) Economic environment
3. (b) Pure Science
4. (c) Budget
5. (c) It may lead to increase in costs since there may be duplication of activities across products.
6. (b) Recruitment, Selection, Placement, Training
7. (c) Subordinates are given high degree of independence
8. (d) Controlling
9. (c) Dividend decision
10. (c) Rolling Settlement System
11. (d) Any of the above
12. (c) Business Environment
13. (a) Statement I is true and II is false
14. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
15. (d) A – (iv), B – (iii), C – (i), D – (ii)
16. (a) Branding
17. (d) Inter-relatedness
18. (b) social
19. (b) Social objective
20. (b) Regarding the channels or using intermediaries
21. (a) Departmentalisation
 - (b) Specialisation
 - (c) Some criterion adopted by the organisation for departmentalisation are:
 - Territory (north, south, west, etc.)
 - Products (appliances, clothes, cosmetics etc.)
 - Functions (production, finance, sales etc.)

(any one)

Or

The concept of management with which conversation between Mishti and Mr. Raj referred to is Accountability.

Accountability implies being answerable for the final outcome. It arises from responsibility and cannot be delegated. It flows upwards, *i.e.*, a subordinate will be accountable to a superior. It is enforced through regular feedback on the extent of work accomplished.

22. Controlling is regarded as an indispensable function of management due to the following reasons:

(a) **Accomplishing organisational goals**

- The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action.
- Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans.
- It, thus, guides the organisation and keeps it on the right track so that organisational goals might be achieved.

(b) **Judging accuracy of standards**

- A good control system enables management to verify whether the standards set are accurate and objective.
- An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.

(c) **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 pre-determined standards and norms.
- This ensures that resources are used in the most effective and efficient manner.

(d) **Improving employee motivation**

- A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised.
- It, thus, motivates them and helps them to give better performance.

(e) **Ensures order and discipline**

- Controlling creates an atmosphere of order and discipline in the organisation.

(f) **Facilitates coordination in action**

- Controlling provides direction to all activities and efforts for achieving organisational goals.
- Each department and employee is governed by pre-determined standards which are well coordinated with one another.
- This ensures that overall organisational objectives are accomplished. (any three)

Or

The three advantages of Management by Exception which is used by the manager in analysing deviations are:

- (a) It saves the time and efforts of managers as they deal with only significant deviations.
- (b) It focuses managerial attention on important areas. There is better utilisation of managerial talent.

- (c) The routine problems are left to the subordinates. Thus, it facilitates delegation of authority and increases morale of employees.
- (d) It identifies critical problems which need timely action to keep the organisation in right direction. (any three)
23. (a) Informal organisation
- (b) The other two advantages of informal organisation are:
- It helps to fulfill the social needs of the members by giving them a sense of belongingness in the organisation and enhances their job satisfaction.
 - It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation. (or any other relevant point)
24. The proper understanding of management principles is necessary because of the following reasons:
- (a) **Provide managers with useful insights into reality**
- The principles of management provide the managers with useful insights into reality.
 - Adherence to these principles will add to their knowledge, ability and understanding of managerial situations and circumstances.
 - It will also enable managers to learn from past mistakes and conserve time by solving recurring problems quickly thereby increase managerial efficiency.
 - For example, a manager can leave routine decision-making to his subordinates and deal with exceptional situations which require her/his expertise by following the principles of delegation.
- (b) **Optimum utilisation of resources and effective administration**
- Resources both human and material available with the company are limited.
 - Resources have to be put to optimum use means that they should give maximum benefit with minimum cost by reducing wastage of resources.
 - Effective administration necessitates impersonalisation of managerial conduct so that managerial power is used with due discretion.
 - Principles of management limit the boundary of managerial discretion so that their decisions may be free from personal prejudices and biases.
 - For example, in deciding the annual budgets for different departments, rather than personal preferences, managerial discretion is bounded by the principle of contribution to organisational objectives.
- (c) **Scientific decisions**
- Decisions must be based on facts and objective assessment of the situation.
 - They must be timely, realistic and subject to measurement and evaluation.
 - They emphasise logic rather than blind faith which helps in decision-making.
 - Management decisions taken on the basis of principles are free from bias and prejudice.

(d) Meeting changing environment requirements

- Although the principles are in the nature of general guidelines but they are modified and as such help managers to adapt to dynamic business environment.
- For example, management principles emphasise division of work and specialisation.
- In modern times, the companies are specialising in their core competency and divesting non-core businesses.
- For example, some companies are outsourcing their non-core activities like share-transfer management and advertising to outside agencies.

(e) Fulfilling social responsibility

- Management theory and management principles have also evolved in response to the demands such as the increased awareness of the public, forces businesses especially limited companies to fulfill their social responsibilities.
- With the changing time, the interpretation of the principles assumes contemporary meanings.
- For example, principle of 'equity' today, it does not apply to wages alone. Value to the customer, care for the environment and dealings with business associates would all come under the purview of this principle.
- As an application of this principle, Public Sector Undertakings have developed entire townships as, for example, BHEL has developed Raipur in (Uttarakhand).

(f) Management training, education and research

- Principles of management are at the core of management theory.
- As such these are used as a basis for management training, education and research.
- These principles provide basic groundwork for the development of management as a discipline. Professional courses such as Master of Business Administration (MBA), Bachelor of Business Administration (BBA) also teach these principles as part of their curriculum at the beginner's level.
- These principles enable refinement of management practices as well by facilitating the development of new management techniques like Operations Research (OR), cost accounting, 'Just in Time', 'Kanban' and 'Kaizen' have developed due to further research on these principles. *(any three)*

25. The functions of Stock Exchange are:

(a) 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.
- It gives investors the chance to disinvest and reinvest.
- This provides both liquidity and easy marketability to already existing securities in the market.

(b) **Pricing of securities**

- Share prices on a stock exchange are determined by the forces of demand and supply.
- A stock exchange is a mechanism of constant valuation through which the prices of securities are determined.
- Such a valuation provides important instant information to both buyers and sellers in the market.

(c) **Safety of transaction**

- 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 in the market.

(d) **Providing scope for speculation**

- The stock exchange provides sufficient scope within the provisions of law for speculative activity in a restricted and controlled manner.
- It is generally accepted that a certain degree of healthy speculation is necessary to ensure liquidity and price continuity in the stock market.

Or

The first four steps in screen-based trading of securities are:

- (a) An investor has to first **approach a registered broker** and enters into agreement. He has to open a broker-client agreement and a client registration form before placing the order. He has to provide few details like PAN number, date of birth and address, educational qualification and occupation, residential status, bank account details, depository account details, name of any other broker with whom registered client code number in the client registration form. The broker opens a trading account in the name of investor.
 - (b) The investor has to **open a demat account or beneficial owner account** with a depository participant for holding and transferring securities in the demat form.
 - (c) The investor **places an order** with the broker to buy or sell shares. Clear instructions have to be given about the number of shares and price at which shares can be bought or sold. The broker will go ahead with the deal to mention the best price available. Order confirmation slip is issued to the investor by the broker.
 - (d) Broker goes online and connects with the stock exchange for matching share and the prices which are available for the share.
26. (a) The element which is being discharged by Mr. Akhlesh by keeping a watch over the routine activities is Supervision. It, being an element of directing, every manager in the organisation supervises his/her subordinates. It refers to the process of guiding the efforts of employees and other resources to accomplish the desired objectives. It means overseeing what is being done by subordinates and giving instructions to ensure optimum utilisation of resources and achievement of work targets.
- (b) Democratic Leadership Style
 - (c) Employee Recognition Programme

Or

(a) Premature evaluation is the barrier to effective communication highlighted here. The type/category of the barrier to which it is related to is psychological or emotional barriers.

(b) The other psychological or emotional barriers are:

(i) **Lack of attention**

- The preoccupied mind of receiver and the resultant non-listening of message acts as a major psychological barrier.
- For instance, an employee explains about his problems to the boss who is pre-occupied with his work. The boss does not grasp the message and the employee is disappointed.

(ii) **Loss by transmission and poor retention**

- When communication passes through various levels, successive transmissions of the message results in loss of or transmission of inaccurate information.
- Generally happens in case of oral communication.
- Poor retention is another problem.
- Usually people cannot retain the information for a long time if they are inattentive or not interested.

(iii) **Distrust**

- Distrust between communicator and communicate acts as a barrier.
- The parties cannot understand each other's message in its original sense, if they do not believe each other. (any two)

27. The decision concerned with raising of finance using shareholders' funds or borrowed funds is financing decision.

The factors affecting financing decisions are:

(a) **Cash flow position of the business**

- The size of projected cash flows must be calculated and considered before borrowing.
- Borrowing funds from the market involve regular payment of interest and the repayment of principal amount on the stipulated date.
- Thus, the cash flow position should be calculated to see the cash payment obligation for normal business operations, investment in fixed assets and for meeting the debt service commitments.

(b) **Fixed operating costs**

- If a business has high fixed operating costs (e.g., building rent, Insurance premium, Salaries, etc.), it must reduce fixed financing costs.
- Hence, lower debt financing is better.
- Similarly, if fixed operating cost is less, more of debt financing may be preferred.

(c) **Control considerations**

- Issues of more equity may lead to dilution of management's control over the business.
- Debt financing has no such implication.
- Companies afraid of a takeover bid would prefer debt to equity.

(d) **State of capital market**

- Health of the capital market may also affect the choice of source of fund. During the period when stock market is rising, more people invest in equity.
- However, depressed capital market may make issue of equity shares difficult for any company. *(or any other relevant point)*

28. (a) The consumer right violated in the given case is **right to be informed**. Every consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use etc. This is important to ensure that the consumers are able to make a proper choice and decision and to protect them against unfair practices, deceptive advertising and misleading labels. The information is provided on the package and label of the product.

(b) The consumer right being exercised by Mr. Akshit is **right to seek redressal**. It states that every consumer has the right to get relief in case the product or service falls short of expectations. The consumer has a right to get relief against unfair trade practice of restrictive trade practices or unscrupulous exploitation in case the product or a service falls short of his expectations. The Consumer Protection Act 2019 provides for redressal to the consumers including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer etc.

29. (a) **Media:** It is the path through which encoded message is transmitted to receiver. The channel may be in the written form, face to face, phone call, internet etc.

(b) **Encoding:** It is a process of converting the message into communication symbols like words, pictures, gestures etc.

(c) **Decoding:** It is a process of converting encoded symbols of the sender.

(d) **Receiver:** The person who receives communication of the sender.

30. (a) Mr. Archit has suggested **capital budgeting decision**.

(b) The reasons why he must have advised this decision are:

(i) **Long-term growth**

- These decisions have bearing on the long-term growth.
- They affect the future prospects of the business.

(ii) **Large amount of funds involved**

- These decisions result in large portion of funds being blocked in long-term projects, these investments are planned after a detailed analysis.

- (iii) **Risk involved**
- These decisions affect the returns of the firm, therefore influence the overall business risk complexion of the firm.
- (iv) **Irreversible decisions**
- These decisions once taken are not reversible without incurring heavy losses.
 - Abandoning a project after heavy investment is costly in terms of waste of funds. (any three)
31. 1. (a) The five inter-related functions performed by a manager are Planning, Organising, Staffing, Directing and Controlling.
- (b) The characteristic of Management highlighted in the given statement is that management is a continuous process.
- The process of management is a series of continuous, composite, but separate functions (Planning, Organising, Directing, Staffing and Controlling).
 - These functions are simultaneously performed by all managers all the time.
 - The task of a manager consists of an ongoing series of functions.
2. (a) The concept indicated in the given statement is coordination. It involves synchronisation of the different actions or efforts of the various units of an organisation.
- (b) The two reasons why coordination is needed to reconcile differences in approach, timing, effort or interest are:
- Growth in size
 - Functional differentiation
 - Specialisation (any two)
32. (a) Pricing is the function of marketing being performed by Suresh.
- (b) The factors that he is taking into consideration while performing the Pricing function are as follows:
- (i) **Cost of product**
- The cost of a product comprises the cost involved in production, distribution and sale of that product.
 - The cost sets the minimum level or floor price for a product.
 - It can be classified into three broad categories that are defined as follows:
 - **Fixed costs:** These costs are fixed. They have no relation to the level of activity or production of the company. Even if there is no production of goods these costs will occur. For example, the rent of the factory is a fixed cost.
 - **Variable costs:** These are the costs that vary in direct proportion to the production levels of an entity. Higher the production, higher the cost and vice-versa. The raw material is a classic example of a variable cost.

- **Semi-variable costs:** These costs also vary with the production levels. But they are not directly proportional. For example, the salary of a manager is ₹ 10,000 per month fixed and then 10% of his sales.
 - Total cost is the sum total of fixed, variable and semi-variable cost, at a specific level of activity. Price is determined by adding a profit to the average cost of a product.
- (ii) **Demand for the product**
- The upper limit of the price range will depend on the utility the product has and hence its demand in the market.
 - So the cost of the product is the seller's concern.
 - The buyer's concern is the utility of the product.
 - The demand for the product will depend on its utility and its price.
 - Elasticity of demand refers to the proportionate change in demand due to a given proportionate change in price.
 - If the demand for a product is elastic, then a firm cannot charge a higher price as a small hike in price would lead to a large fall in its demand.
 - On the other hand, if demand is inelastic, then the firm has the privilege of charging a higher price, as even at a higher price, the demand would not fall much.
- (iii) **Degree of competition in the market**
- Generally, higher the competition in the market, the lower is the price that a firm can charge for its product.
 - This is because in case of high competition, if a firm attempts to charge a higher price, then it would lose its customers to competitors.
 - On the other hand, if a firm faces very little competition for its product, then it has the freedom to charge a higher price.
- (iv) **Government regulations**
- At times the government intervenes in the process of determination of price. This is usually done in order to protect the interest of the public at large.
 - For instance, in case of essential commodities, the government can declare a maximum price that can be charged.
 - Herein, the market forces do not play a role as the price-deciding factor lies in the hands of the government.
- (v) **Marketing methods used**
- The methods of marketing used by the firm also affect the determination of prices.
 - These methods include distribution, advertisement, customer services, branding, etc.

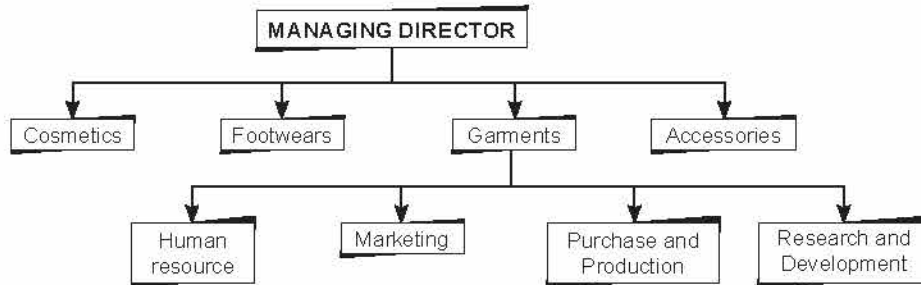
- For example, if the firm uses intense advertising for promotion of the product, then it would charge a higher price.
 - Similarly, if the firm incurs high cost on activities such as attractive branding or distribution techniques, then also it would charge a higher price.
33. The next four steps in the process of planning which the manager will have to follow after using conjecture about what might happen in the future, *i.e.*, developing premises are:
- (a) **Identifying alternative courses of action**
- Once objectives are set, assumptions are made, then the next step would be to act upon them.
 - There may be many ways to act and achieve objectives.
 - All the alternative courses of action should be identified.
 - The course of action which may be taken could be either routine or innovative.
 - An innovative course may be adopted by involving more people and sharing their ideas.
- (b) **Evaluating alternative course**
- The next step is to weigh the pros and cons of each alternative.
 - The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved.
 - In financial plans, for example, the risk-return trade-off is very common.
 - The more risky the investment, the higher the returns it is likely to give.
 - To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken.
 - Accurate forecasts in conditions of certainty/uncertainty then become vital assumptions for these proposals.
 - Alternatives are evaluated in the light of their feasibility and consequences.
- (c) **Selecting an alternative**
- This is the real point of decision-making.
 - The best plan has to be adopted and implemented.
 - The ideal plan, of course, would be the most feasible, profitable and with least negative consequences.
 - In such cases, subjectivity and the manager's experience, judgement and at times, intuition play an important part in selecting the most viable alternative.
 - Sometimes, a combination of plans may be selected instead of one best course.
 - The manager will have to apply permutations and combinations and select the best possible course of action.

(d) Implementing the plan

- This is the step where other managerial functions also come into the picture.
- The step is concerned with putting the plan into action, *i.e.*, doing what is required.
- For example, if there is a plan to increase production then more resources will be required such as manpower, machinery.
- This step would also involve organising for manpower and purchase of machinery.

Or

Divisional structure is the structure formed by grouping the activities on the basis of products. Each division is multifunctional as within each division functions like production, marketing, finance, purchase, etc. are performed together to achieve the common goal. It is suitable for those business enterprises in which a large variety of products are manufactured, using different productive resources.



The advantages of divisional structure are:

- (a) Divisional head gains experience in all functions related to a particular product. He develops varied skills which prepares him for higher position.
- (b) It is easy to fix responsibility and accountability. The divisional head is held responsible for the results of his department.
- (c) The divisional head have the authority to take decisions, which makes the process of decision-making faster. It promotes initiative and flexibility.
- (d) The enterprise can grow and expand its operations as a new division can be easily added without disturbing the existing operations.

34. (a) (i) Casual Callers

- Many reputed business organisations keep a database of unsolicited applicants in their offices.
- Such job-seekers can be a valuable source of manpower.
- A list of such job-seekers can be prepared and can be screened to fill the vacancies as they are created in the organisation.
- The major merit of this source of recruitment is that it reduces the cost of recruiting workforce in comparison to other sources.

(ii) **Advertisements**

- Advertisement in newspapers or trade and professional journals is generally used when a wider choice is required.
- Most of the senior positions of industry as well as commerce are filled by this method.
- The advantage of advertising vacancies is that more information about the organisation and job can be given in the advertisement.
- Advertisement gives the management a wider range of candidates from which to choose.
- Advertisements may be placed in leading newspapers.
- Its disadvantage is that it may bring in a flood of response, and many times, from quite unsuitable candidates.

(iii) **Direct Recruitment**

- A notice is placed on the notice board 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.
- It is suitable for filling casual vacancies when there is a rush of work or when some permanent workers are absent. (any two)

(b)

Basis	Internal Sources of Recruitment	External Sources of Recruitment
(i) Meaning	It focuses on existing employees within the organisation.	It seeks candidates from outside the organisation.
(ii) Cost	These are economical.	These are expensive.
(iii) Choice of candidates	Limited	Unlimited
(iv) Sources	Transfer, promotion etc.	Advertisement, casual callers, employment agencies, management consultant etc.

(any three)

Or

(a) (i) **Apprenticeship Programmes**

- In apprenticeship programmes, the trainee is put under the guidance of a master worker.
- These are designed to acquire a higher level of skill.
- People seeking to enter skilled jobs, to become, for example, plumbers, electricians or iron-workers, are often required to undergo apprenticeship training.

- These apprentices are trainees who spend a prescribed amount of time working with an experienced guide, or trainer.
- A uniform period of training is offered to trainees, in which both fast and slow learners are placed together.
- Slow learners may require additional training.

(ii) Internship Training

- It is a joint programme of training in which educational institutions and business firms cooperate.
- Selected candidates carry on regular studies for the prescribed period.
- They also work in some factory or office to acquire practical knowledge and skills.

(iii) Vestibule Training

- Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor.
- Actual work environments are created in a class room and employees use the same materials, files and equipment.
- This is usually done when employees are required to handle sophisticated machinery and equipment.

(any two)

(b)

Basis	Training	Development
(i) Concept	It is a process of increasing knowledge and skills.	It is a process of learning and growth.
(ii) Purpose	It is to enable the employee to do the job better.	It is to enable the overall growth of the employee.
(iii) Orientation	It is job-oriented.	It is career-oriented.
(iv) Duration	It is a short-term process.	It is long-term as it is an ongoing process.

(any three)