

Answers to RBS–DS1/Set-2

1. (d) All of the above
2. (b) Equity
3. (d) Both the statements are false
4. (d) Evaluating alternative courses
5. (c) Identification and division of work, Departmentalisation, Assignment of duties, Establishing authority and reporting relationships
6. (d) Intelligence test
7. (c) Unclarified assumptions
8. (d) Measurement of actual performance
9. (c) If a firm wants to attain product quality leadership, it should charge lower prices.
10. (c) A – (ii), B – (iii), C – (iv), D – (i)
11. (a) Stock exchange regulates the capital market.
12. (d) Assertion (A) is false but Reason (R) is true
13. (c) Planning leads to rigidity
14. (d) All of the above
15. (d) It is deliberately created by the management.
16. (c) Induction training
17. (b) Risk consideration
18. (a) Protective function
19. (d) Dematerialisation
20. (c) Strategy
21. (a) **Technological Environment** is the dimension of business environment which is being overlooked here as half of the tickets are being sold through internet. It includes forces relating to scientific improvements and innovations, which provides new and advance ways/techniques of production. A businessman must closely monitor the technological changes taking place in the industry as it helps in facing competition and improving quality of the product. For example, Digital India initiative by the government and move towards a paperless society.
(b) The two other dimensions of business environment are:
 - (i) Economic Environment
 - (ii) Social Environment
 - (iii) Political Environment
 - (iv) Legal Environment

(any two)

22. The type of plan being followed by Raj Auto Ltd. is Strategy.
- A strategy provides the broad contours of an organisation's business.
 - It will also refer to future decisions defining the organisations direction and scope in the long run.
 - It is a comprehensive plan which includes three dimensions:
 - ⇒ Determining long-term objectives
 - ⇒ Adopting a particular course of action
 - ⇒ Allocating resources necessary to achieve the objective
 - Whenever a strategy is formulated, the business environment needs to be taken into consideration.
 - The changes in the economic, political, social, legal and technological environment will affect an organisation's strategy.
 - Major strategic decisions will include decisions like whether the organisation will continue to be in the same line of business, or combine new lines of activity with the existing business or seek to acquire a dominant position in the same market.
23. (a) The process of choosing the best person from among the pool of prospective candidates is Selection. The first step in the process of Selection is Preliminary Screening. It helps the manager eliminating unqualified or unfit job seekers based on the information supplied in the application forms. Preliminary interviews help reject misfits for reasons, which did not appear in the application forms.
- (b) Even in case of highly specialised jobs where the choice space is very narrow, the rigour of the selection process serves two important purposes:
- (i) It ensures that the organisation gets the best among the available.
 - (ii) It enhances the self-esteem and prestige of those selected and conveys to them the seriousness with which the things are done in the organisation.

Or

The step in the process of Staffing function of management highlighted here is **estimating the manpower requirements**.

- While designing the organisational structure, various job positions are created.
- It is important to translate the manpower requirements into specific job description and the desirable profile of its occupant — the desired qualifications, experience, personality characteristics and so on.
- This information becomes the base for looking for potential employees.
- In manpower requirements it is decided how many persons are needed and what type such as women, persons from backward communities and persons with special abilities (such as physically challenged, visually and hearing impaired) to assume responsible positions in organisations.

- Manpower requirements involve two kind of analysis:
- Workload analysis would enable an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives.
- Workforce analysis would reveal the number and type available.
- It reveals whether organisations are understaffed, overstaffed or optimally staffed.
- A situation of overstaffing somewhere would necessitate employee removal or transfer elsewhere.
- A situation of understaffing would necessitate the starting of the recruitment process.
- The aim is to have right number right kind of people in the right place at the right time.

24. (a) **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.

(b) **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.

Or

The relationship between planning and controlling is as follows:

(a) **Planning and Controlling are inter-related and inter-dependent**

Controlling is based on planning. If an organisation does not plan its objectives in advance, it will not have any basis or planned performance to compare the actual performance with. Therefore, to perform the controlling process it is essential to first perform the planning process.

Planning without controlling is useless. If an organisation plans its objectives and does not compare the actual performance with the pre-determined goals or objectives, then there is no use to perform the planning process. After comparing the actual performance with the planned performance an organisation can make new plans or revise the existing plans for better performance. Therefore, controlling is essential to fulfil the pre-determined plans. Thus, Planning without control is meaningless and controlling without planning is blind.

(b) **Planning is prescriptive and Controlling is evaluating**

As the planning process prescribes a firm the course of action, it should take to accomplish the organisational objectives, it is prescriptive in nature. However, controlling

evaluates the actual performance of the organisation and checks whether or not the actual performance is up to the desired goals of the firm. Therefore, controlling is an evaluating process. Hence, it can be said that the controlling process starts where the planning process ends.

(c) **Both are backward-looking as well as forward-looking functions**

It is usually said that planning is a forward-looking function, as it provides a plan for the future and is based on future forecast conditions, and controlling is a backward-looking function, as it measures the actual performance of the organisation and compares it with the pre-determined or fixed standards. However, planning is also a backward-looking function because the plans of an organisation are prepared after taking past experiences into consideration. Similarly, controlling is also a forward-looking function of management because its basic aim is to improve the future performance of an organisation by taking past experience into consideration. Therefore, planning and controlling are both forward-looking as well as backward-looking functions.

25. (a) **Quote:** “The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty home made tiffin to all office goers at the right time and place.”

Feature: Management is a goal-oriented process

- (b) **Quote:** “The Dabbawalas operate in a group of 25-30 people along with a group leader.”

Feature: Management is a group activity

- (c) **Quote:** “Owing to their tremendous popularity amongst the happy and satisfied customers and members, the Dabbawalas were invited as guest lecturer by top business schools.”

Feature: Management is an intangible force

- (d) **Quote:** “Recently, they have started online booking system through their website ‘mydabbawala.com’.”

Feature: Management is a dynamic function

26. (a) **Selection Tests**

- An employment test is a mechanism (either a paper and pencil test or an exercise) that attempts to measure certain characteristics of individuals.
- These characteristics range from aptitudes, such as manual dexterity, to intelligence to personality.

(b) **Employment Interview**

- Interview is a formal, in-depth conversation conducted to evaluate the applicant’s suitability for the job.

- The role of the interviewer is to seek information and that of the interviewee is to provide the same.
 - Though, in present times, the interviewee also seeks information regarding salary, terms and conditions etc. from interviewer.
- (c) **Reference and Background Checks**
- Many employers request names, addresses, and telephone numbers of references for the purpose of verifying information and, gaining additional information on an applicant.
 - Previous employers, known persons, teachers and university professors can act as references.
- (d) **Medical Examination**
- After the selection decision and before the job offer is made, the candidate is required to undergo a medical fitness test.
 - The job offer is given to the candidate being declared fit after the medical examination.
27. (a) The function being performed by labelling in the given statement is that it helps in promotion of products. A carefully designed label can attract attention and give reason to purchase. Many product labels provide promotional messages. For example, the pack of a popular Amla Hair Oil states, 'Baalon mein Dum, Life mein Fun'. Labels play important role in sales promotional schemes launched by companies. For example the label on the package of a Shaving Cream mentions, '40% Extra Free' or package of a toothpaste mentioning, 'Free Toothbrush Inside', or 'Save ₹ 15'.
- (b) The three other functions of labelling are:
- (i) **Describe the product and specify its contents**
- One of the most important functions of labels is to describe the product, its usage, cautions in use, etc. and specify its contents.
 - For example, the label on the package of a local tea company describes the company as Mohini Tea Company, an ISO 9001:200C Certified Company'; a popular brand of Prickly Heat Powder, describes how the product provides relief from prickly heat and controls bacterial growth and infection, giving caution forbidding its application on cuts and wounds.
 - Package of fast food products like ready to eat Dosa, Idli or Noodles; describe the procedure of cooking these products.
- (ii) **Identification of the product or brand**
- The other important function performed by labels is to help in identifying the product or brand.
 - For example, the brand name of any product, say Biscuits or Potato Chips imprinted on its package helps us to identify, from number of packages, which one is our favourite brand.

- Other common identification information provided by the labels includes name and address of the manufacturer, net weight when packed, manufacturing date, maximum retail price and batch number.

(iii) Grading of products

- Another important function performed by labels is to help grading the products into different categories.
- Sometimes marketers assign different grades to indicate different features or quality of the product.
- For example, a popular brand of Hair Conditioners comes in different categories for different hair, say for 'normal hair' and for other categories.
- Different type of tea is sold by some brands under Yellow, Red and Green Label categories.

(iv) Providing information required by law

- Another important function of labelling is to provide information required by law.
- For example, packaged food articles must have list of ingredients declaration regarding vegetarian or non-vegetarian food additives and date of manufacturing or packing on the label.
- Such information is required on processed foods, drugs and tobacco products.
- In case of hazardous or poisonous material, appropriate safety-warning need to be put on the label.

Thus, labels perform number of important functions relating to communicating with the potential buyers and promoting the sale of the products. *(any three)*

28. The various objectives of Securities and Exchange Board of India (SEBI) are:

- (a) To regulate stock exchanges and the securities industry to promote their orderly functioning
- (b) To protect the rights and interests of investors, particularly individual investors and to guide and educate them
- (c) To prevent trading malpractices and achieve a balance between self-regulation by the securities industry and its statutory regulation
- (d) To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional

Or

- (a) The process indicated here is Dematerialisation. It refers to the process of holding securities in electronic form.
- (b) The two problems of holding shares in physical form are as follows:
 - When the shares certificates are held in physical form, there is danger of loss or theft.
 - There is risk of forgery, as the buyer may be delivered fake certificates.

(or any other relevant point)

29. The role of consumer organisations and non-governmental organisations for the protection and promotion of consumers' interests are:
- (a) Educating the general public about consumer rights by organising training programmes, seminars and workshops
 - (b) Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest
 - (c) 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
 - (d) Encouraging consumers to strongly protest and take an action against unscrupulous, exploitative and unfair trade practices of sellers
 - (e) Providing legal assistance to consumers by way of providing aid, legal advice etc. in seeking legal remedy
 - (f) Filing complaints in appropriate consumer courts on behalf of the consumers
 - (g) Taking an initiative in filing cases in consumer courts in the interest of the general public, not for any individual (any four)

Or

The reliefs available to the consumers if the consumer court is satisfied about the genuineness of the complaint are:

- (a) Remove defect in goods and deficiency in services
 - (b) Replace defective goods with one with no defects
 - (c) Refund price paid
 - (d) Pay a reasonable amount of compensation for any loss or injury suffered
 - (e) Pay punitive damages in appropriate circumstances
 - (f) Discontinue unfair/restrictive trade practices
 - (g) Not to offer hazardous goods and services for sale
 - (h) Withdraw hazardous goods from sale
 - (i) Cease manufacturing hazardous goods
 - (j) Issue corrective advertisement to neutralise the effect of misleading ads
 - (k) Pay adequate costs to parties (any four)
30. (a) The marketing management philosophy highlighted in the given case is societal marketing philosophy. It holds that the task of any organisation is to identify the 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. It is the extension of the marketing concept as it supplements the concern for the long-term welfare of the society.

- (b) The communication tool used by the company is Public Relations.
- Public Relations managing public opinion of an organisation is an important task which can be performed by the marketing department.
 - The business needs to communicate effectively to customers, suppliers, and dealers, since they are instrumental in increasing the sales and profit.
 - 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.
 - The business relates with a number of groups including suppliers, shareholders, intermediaries, activist groups, and the government.
31. 1. (a) The element of directing is Communication. The word communication has been derived from the Latin word 'communis' which means 'common' which consequently implies common understanding. Communication is defined in different ways. Generally, it is understood as a process of exchange of ideas, views, facts, feelings, etc., between or among people to create common understanding.
- (b) The elements involved in the process of communication are sender, message, encoding, media, receiver, decoding, noise and feedback.
2. (a) Profit Sharing
- (b) **Financial incentives:** It refers to incentives which are in direct monetary form or measurable in monetary term and serve to motivate people for better performance. These incentives may be provided on individual or group basis. The two more incentives of the same category are:
- (i) Salary
 - (ii) Bonus
 - (iii) Stock option (any two)
32. The four factors that the finance manager of the company should keep in mind while arranging its working capital are:
- (a) **Nature of business**
- Nature of business is an important factor that influences the requirement of working capital.
 - For example, Public utility services like transport concerns, electricity undertakings where much of the investment is in a fixed form, require less amount of working capital.
 - On the other hand, trading or manufacturing concerns have to invest large amounts in raw materials, wages, etc. hence these require a large amount of working capital.
- (b) **Scale of operation**
- An organisation which operates on a higher scale requires large amount of working capital as compared to the organisation which operates on a lower scale and vice-versa.
- (c) **Business cycle**
- Different phases of business cycle affect the requirement of working capital of a firm.

- During boom period, sales as well as production are likely to be higher, therefore more working capital is needed.
- During depression, sales and production are low, as a result the requirement of working capital would be lower.

(d) **Seasonal factors**

- Industries, which produce and sell seasonal goods, require large working capital during off-season, as this is the period when production is carried on to prepare for the season when the products would be sold in comparison to industries with regular production and sales. *(or any other relevant point)*

33. (a) The organisational structure adopted by Alpha Developers is functional structure. It is an organisational design that groups similar or related jobs together based on functions of management.

(b) The advantages of functional structure are:

- (i) **Occupational Specialisation:** A functional structure leads to occupational specialisation since it promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance.
- (ii) **Coordination is established:** It promotes control and coordination within a department because of similarity in the tasks being performed.
- (iii) **Helps in increasing managerial efficiency:** It helps in increasing managerial and operational efficiency and this result in increased profit.
- (iv) **Minimizes cost:** It leads to minimum duplication of efforts which results in economies of scale and thus lowers cost.
- (v) **Ease of training:** It makes training of employees easier as the focus is only on a limited range of skills.
- (vi) **Due attention:** It ensures that different functions get due attention. *(any two)*

The limitations of functional structure are:

- (i) **Ignorance of organisational objective:** Each departmental head overemphasised their departmental objectives ignoring overall organisational objectives which may lead to creation of functional empires.
- (ii) **Difficulty in inter-departmental coordination:** All departmental heads work as per their own wish which leads to coordination within the department easier but it makes inter-departmental coordination difficult.
- (iii) **Conflict of interests:** A conflict of interests may arise when the interests of two or more departments are not compatible. For example, the sales department insisting on a customer friendly design may cause difficulties in production. Inter-departmental conflicts can also arise in the absence of clear separation of responsibility.

- (iv) **Inflexibility:** It may lead to inflexibility as people with same skills and knowledge base may develop a narrow perspective and thus, have difficulty in appreciating any other point of view. Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas. (*any two*)

Or

(a) Decentralisation

(b) The importance of Decentralisation is as follows:

(i) **Develops initiative amongst subordinates**

- It helps to promote confidence because the subordinates are given freedom to take their own decisions.
- This is because when lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgement.
- A decentralisation policy helps to identify those executives who have the necessary potential to become dynamic leaders.

(ii) **Develops managerial talent for the future**

- Formal training plays an important part in equipping subordinates with skills that help them rise in the organisation but equally important is the experience gained by handling assignments independently.
- Decentralisation gives them a chance to prove their abilities and creates a reservoir of qualified manpower that can be considered to fill up more challenging positions through promotions.

(iii) **Quick and better decisions**

- In a decentralised organisation, however, since decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels, the process is much faster.
- There are also less chances of information getting distorted because it doesn't have to go through long channels.

(iv) **Relief to top management**

- Decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate.
- This leaves the top management with more time which they can devote to important policy decisions.

(v) **Facilitates growth**

- Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads.
- Consequently, with each department doing its best in a bid to outdo the other, the productivity levels increase and the organisation is able to generate more returns which can be used for expansion purposes.

(vi) **Better Control**

- Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results.
- Feedback from all levels helps to analyse variances and improve operations.
- Decentralisation compels the management to use better control systems such as the balance score card and management information system. (any five)

34. (a) (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.
- Suppose management and labour union have entered into an agreement whereby workers have agreed to put in extra hours without any additional payment to revive the company out of loss. In return, the management has promised to increase wages of the workers when this mission is accomplished. Here discipline when applied would mean that the workers and management both honour their commitments without any prejudice towards one another.

(ii) **Order**

- According to Fayol, "People and materials must be in suitable places at appropriate time for maximum efficiency."
- This principle states that 'a place for everything (everyone) and everything (everyone) in its (her/his) place'.
- Essentially, it means orderliness. If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/factory.
- This will lead to increased productivity and efficiency.

(iii) **Initiative**

- Workers should be encouraged to develop and carry out their plans for improvements according to Fayol.
- Initiative means taking the first step with self-motivation.
- It is thinking out and executing the plan.
- It should be encouraged. But it does not mean going against the established practices of the company for the sake of being different
- A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be rewarded.

(any two)

(b)

Basis	Time Study	Motion Study
(i) Meaning	It determines the standard time taken to perform a job.	It studies the movements like lifting, putting objects, sitting and changing positions etc.
(ii) Aim	Its main aim is to determine the standard time taken to complete a task.	Its main aim is to eliminate the unnecessary movements while doing a work.
(iii) Tools of study	Measuring devices like stop watches are used in this study.	Movie cameras connected with micro-chromometres are used in this study.

(or any other relevant point)

Or

(a) (i) **Method study**

- The objective of method study is to find out one best way of doing the job.
- There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study.
- Taylor devised the concept of assembly line by using method study.
- Ford Motor Company used this concept very successfully.
- Even now auto companies are using it.
- The objective of the whole exercise is to minimize the cost of production and maximize the quality and satisfaction of the customer.
- For this purpose many techniques like process charts and operations research etc. are used.
- For designing a car, the assembly line production would entail deciding the sequence of operations, place for men, machines and raw material etc. All this is part of method study.

(ii) **Fatigue study**

- A person is bound to feel tired physically and mentally if she/he does not rest while working.
- Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task.
- The rest intervals will help one to regain stamina and work again with the same capacity.
- This will result in increased productivity.
- There can be many causes for fatigue like long working hours, doing unsuitable work, having uncordial relations with the boss or bad working conditions etc. Such hindrances in good performance should be removed.

(iii) Differential piece wage system

- It is a piece wage system wherein the efficient and inefficient workers are paid at different rates.
- As financial incentives act as motivators, so first a standard task is established with the aid of time and motion study, then two different wage rates are established: Higher rate for the one achieving the target and lower for those not achieving.
- The difference in wage rates will motivate the workers.
- Efficient ones will work harder to get more wages and the inefficient will try to reach the standard to get higher wages.

(b)

Basis	Unity of Command	Unity of Direction
(i) Meaning	It states that each subordinate in a formal organisation should receive orders from and be responsible to only one superior.	It states that each group of activities should have one head and one plan.
(ii) Aim	It avoids dual subordination.	It avoids overlapping of activities.
(iii) Implication	It affects individual employee.	It affects the entire organisation.

(or any other relevant point)