

## Answers to RBS–DS1/Set-3

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1. (a) Both Reena and Meena make conscious efforts to develop a sense of togetherness, unity and coordination among the various people with different objectives who work under them.
2. (a) Contract of employment
3. (d) Marketing methods used
4. (c) Use of malfunctioning weights and measures that lead to underweight of products.
5. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
6. (c) Basic Psychological Needs → Safety Needs → Affiliation Needs → Esteem Needs → Self-actualisation Needs
7. (c) ₹ 1,00,00,000
8. (c) Both the statements are true
9. (b) it initiates corrective action to improve future performance.
10. (c) It leads to occupational specialisation.
11. (d) No need of proper feedback
12. (a) learning while doing
13. (c) Budget
14. (c) Product
15. (b) Social environment
16. (a) is a purposeful activity.
17. (c) Organisational climate
18. (d) Principle of Subordination of Individual Interest to General Interest
19. (b) Facilitates product differentiation
20. (d) A – (iv), B – (i), C – (ii), D – (iii)
21. The aspect of the nature of management being highlighted in the above case is **Management is an Art**. Art is the skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience.  
The basic features of Management as an Art are as follows:
  - (a) **Existence of theoretical knowledge:** Art presupposes the existence of certain theoretical knowledge. This knowledge is derived from the experiences of experts and is

published in the form of books and literature in different fields like dance, music, public speaking, management etc.

- (b) **Personalised application:** Art is a personalised concept as application of knowledge varies from person to person. A manager applies the acquired knowledge in personalised manner according to a given situation.
- (c) **Based on practice and creativity:** Art involves the creative practice of theoretical knowledge. Managers also apply the principles differently depending on how creative, imaginative and innovative they are. (any two)

Or

Yes, Sanjay can be deployed at the post of Assistant Manager in Sales and Marketing Division although he has not acquired any professional degree in management as management is not considered to be a full-fledged profession because of the following reasons:

- (a) **Restricted entry:** Unlike management, the entry to the other professions is restricted through an examination or eligibility criteria like specific percentage in a particular degree or diploma. However, management as a profession does not fulfill this criteria as anyone can be called a manager regardless of his/her academic qualifications.
- (b) **Professional association:** Unlike managers, all working professionals have to be a member of an affiliated professional association which regulates their entry, grants certificate of practice and formulates and enforces code of conduct. For example, the practicing lawyers have to be a member of Bar Council of India, the practicing doctors should have membership of All India Medical Association etc. However, in case of management, although there exist several management association like the All India Management Association (AIMA), neither does it have any statutory backing nor it is mandatory for the practicing managers to be a member of such associations.

22. (a) **Choice of technique**

- As he wishes to stick to a low investment model, we may suggest him to go with the labour-intensive approach to manufacture N-95 masks.
- Since better technology would cost him much and his risk appetite is not conducive for capital intensive techniques of production.

(b) **Financial alternatives**

- As he wishes to stick to a low investment model, we may suggest him to go with the lease option for fixed assets like building, heavy machinery etc. as this may reduce his investments requirement in the business.

23. The benefits of training and development to an organisation are as follows:

- (a) **No wastage of efforts and money:** Training is a systematic learning, always better than hit and trial methods which lead to wastage of efforts and money.
- (b) **Higher profits:** It enhances employee productivity both in terms of quantity and quality, leading to higher profits.

- (c) **Equips the future managers:** Training equips the future managers who can take over in case of emergency.
- (d) **Reduces absenteeism and employee turnover:** Training increases employee morale and reduces absenteeism and employee turnover.
- (e) **Effective response:** It helps in obtaining effective response to fast changing environment, *i.e.*, technological and economic. (any three)

Or

The specialised activities performed by human resource management are:

- (a) Developing compensation and incentive plans
- (b) Analysing jobs, collecting information about jobs to prepare job description
- (c) Training and development of employees for efficient performance and career growth
- (d) Handling grievances and complaints
- (e) Defending the company in law suits and avoiding legal complications *(any three)*

24. The limitations of Planning are as follows:

- (a) **Rigidity**
  - The prices were fixed and there was no scope or authority given to the sales manager to finalise the order.
  - In an organisation, as plans are drawn in advance with specific goals to be achieved within a specific time frame.
  - Managers may not be in a position to change them in the light of changed conditions. It may not turn out to be in the organisation's interest.
  - This kind of rigidity in plans may create difficulty.
  - Managers need to be given some flexibility to be able to cope with the changed circumstances.
- (b) **Does not guarantee success**
  - The prices were decided but with no scope of negotiations. In the changing business environment, there is possibility of competitors offering lesser prices. In such cases if prices are non-negotiable there is possibility of losing orders to competitors.
  - The business environment is dynamic, nothing is constant.
  - The environment consists of a number of dimensions, economic, political, physical, legal and social dimensions.
  - The organisation has to constantly adapt itself to changes.
  - It becomes difficult to accurately assess future trends in the environment if economic policies are modified or political conditions in the country are not stable or there is a natural calamity.
  - Planning cannot foresee everything and thus, there may be obstacles to effective planning.

- (c) **Reduces creativity**
- The sales manager has no scope of offering products to match customer's needs or requirements. In the present scenario, he will simply visit customers and give prices, if the prices are acceptable to the customer, the order will be finalised otherwise the sales manager may not put in extra effort to convince or attract customer to buy his products.
25. (a) **Identification and division of work**
- The work is divided into manageable activities so that duplication can be avoided and the burden of work can be shared among the employees.
- (b) **Departmentalisation**
- It is done as it facilitates specialisation, achieves co-ordination and facilitates unity of action.
- (c) **Assignment of duties**
- Qualifications, experience, ability and aptitudes of people should be matched with duties to ensure proper performance of duties.
- (d) **Establishing reporting relationships**
- The establishment of such clear relationships helps to create a hierarchal structure and helps in coordination amongst various departments.
26. Formal communication flows through official channels designed by the management. It plays an effective role in the accomplishment of the organisational goals. The communications may be oral or written but generally recorded and filed in the office.
- Informal communication takes place without following the formal lines of communication. It is generally referred to as the 'grapevine' because it spreads throughout the organisation with its branches going out in all directions in utter disregard to the levels of authority. It arises out of the personal needs of employees to exchange their views, which cannot be done through formal channels.
27. (a) **Right to be heard**
- (b) **District Commission**
- (c) The parties can appeal against such order to the State Commission on the grounds of facts or law within a period of forty five days from the date of order.
- (d) **Mediation Cell**

Or

Under the Consumer Protection Act 2019, a **consumer** is defined as a person who avails the services and buys any good for self-use. Worth to mention that if a person buys any good or avails any service for resale or commercial purposes, he/she is not considered a consumer. This definition covers all types of transactions, *i.e.*, offline and online through teleshopping, direct selling or multi-level marketing.

Under the Consumer Protection Act 2019, a **complainant** means one or more consumers, or any voluntary consumer association, central or state government or the central authority or a legal heir or legal representative or a parent or legal representative in case of a minor.

28. Earning per share before diversification = ₹ 0.50.

Calculation of Earning per share after issue of debentures (assuming face value of a share be ₹ 10):

Particulars	₹
Share Capital	60,00,000
10% Debentures	40,00,000
Total	1,00,00,000
Net Profit before Interest & Tax	8,00,000
Less: Interest on Debentures	4,00,000
	4,00,000
Less: Tax @ 40%	1,60,000
Profit after Interest and Tax	2,40,000
No. of Shares @ ₹ 10 each	6,00,000

$$\text{EPS} = \frac{\text{EAT}}{\text{No. of shares}} = \frac{2,40,000}{6,00,000} = ₹ 0.40$$

This clearly shows that shareholders lost after the issue of debentures since earning per share has decreased from ₹ 0.50 to ₹ 0.40.

29. (a) **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.

(b) **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.

Or

(a) **Motivation of employees**

- When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate.

- Responsibility for work builds the self-esteem of an employee and improves his confidence.
  - He feels encouraged and tries to improve his performance further.
  - Therefore, it has psychological benefits.
- (b) **Better coordination**
- The elements of delegation – authority, responsibility and accountability help to define the powers, duties and answerability related to various job positions which results in developing and maintaining effective coordination.
  - This helps to avoid overlapping of duties and duplication of effort.
30. The principle of scientific management described in the above paragraph is ‘Harmony not Discord’. Taylor emphasised that there should be complete harmony between the management and the workers instead of a kind of class-conflict, the managers versus workers. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers. The prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice-versa. He advocated paternalistic style of management should be in practice.
31. (a) Controlling is the function of management referred to in the above paragraph. Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, controlling means ensuring that activities in an organisation are performed as per the plans.
- (b) Three features of Controlling are as follows:
- (i) **Goal-oriented**
- Controlling ensures that an organisation’s resources are being used effectively and efficiently for the achievement of pre-determined goals.
  - Controlling is, thus, a goal-oriented function.
- (ii) **Pervasive**
- Controlling function of a manager is a pervasive function.
  - It is a primary function of every manager.
  - Managers at all levels of management–top, middle and lower–need to perform controlling function to keep a control over activities in their areas.
  - Moreover, controlling is as much required in an educational institution, military, hospital, and a club as in any business organisation.
- (iii) **Continuous**
- Controlling should not be misunderstood as the last function of management.
  - It is a function that brings back the management cycle back to the planning function.
  - The controlling function finds out how far actual performance deviates from standards, analyses the causes of such deviations and attempts to take corrective actions based on the same.

- This process helps in formulation of future plans in the light of the problems that were identified and, thus, helps in better planning in the future periods.
- Thus, controlling only completes one cycle of management process and improves planning in the next cycle. *(or any other relevant point)*

Or

(a) Various financial and non-financial incentives discussed by the three friends in the above case are:

(i) Financial incentives

- Retirement benefits
- Perquisites

(ii) Non-Financial incentives

- Job security
- Career advancement opportunity
- Organizational climate
- Status

(b) Other non-financial incentives which were not discussed by any one of them.

- **Job Enrichment.** It is concerned with designing job in such a way that it includes greater variety of work content, require higher level of knowledge and skill. It aims at allocating more autonomy and responsibility to the employees. It motivates the employees as the job provide meaningful work experience and opportunity for personal growth.
- **Employee Recognition.** Employees can be motivated through due evaluation and recognition of their work. Acknowledging their contribution to the organisation through appreciation, installing an award or certificate for outstanding performances, giving mementos, complimentary gifts or rewards is a way of motivating the employees by recognising them for their performances.
- **Employee Participation.** It means forming joint management committees, work committees, canteen committees etc. to ensure that the employees have a say on issues related to them. By doing so, the employees feel motivated as employees feel their authority.
- **Employee Empowerment.** Granting more antonomy and power to subordinates makes them feel the importance of their jobs. This contributes positively towards their performances. Empowering employees by giving power and autonomy, thus, motivates them. *(any three)*

32. The importance of business environment is as follows:

(a) **Helps in identifying opportunities and making first mover advantage**

- **Opportunities** refer to the positive external trends or changes that will help a firm to improve its performance.
- The environment provides numerous opportunities and it is necessary to identify the opportunities to improve the performance of a business.

- Early identification gives an opportunity to an enterprise be the first to identify opportunity instead of losing them to competitors.
  - For example, Maruti Udyog Ltd. became the leader in the segment of small car market.
- (b) **Helps the firm identify threats and early warning signals**
- Threats refer to the external environment trends and changes that will hinder a firm's performance.
  - The business environment helps in understanding the threats which are likely to happen in the future.
  - Environmental awareness can help managers identify various threats on time and serve as an early warning signal.
  - For example, entry of multinational companies in Indian market gave a warning signal for the domestic industries to make some preparations like cost reduction, improving quality, reducing wastages etc.
- (c) **Helps in tapping useful resources**
- Business and industry avail the resources (inputs) from the environment and convert them into usable products (outputs) and provide to society.
  - The environment provides various inputs (resources) like finance, machines, raw materials, power and water, labour etc.
  - The business enterprise provides outputs such as goods and services to the customers, payment of taxes to the government, to investors and so on.
  - For example, with the demand for the latest technology, manufacturers will tap the resources from the environment to manufacture LED TVs and Smart TVs rather than collecting resources for colour or Black & White TVs.
- (d) **Helps in coping with rapid changes**
- The business environment is changing very rapidly and the industry is getting affected by changing market conditions.
  - Turbulent market environment, less brand loyalty, divisions of markets, changes in fashions, more demanding customers and global competition are some examples of changing the business environment.
  - For example, Jack Ma started Alibaba as he could see the potential of interest in e-Commerce.
- (e) **Helps in assisting in planning and policy formulation**
- The business environment brings both threats and opportunities to a business.
  - Awareness of business environment helps in deciding future planning or decision making.
  - For example, multiple entries of Chinese phones like VIVO, Gionee, OPPO, etc. have posed threat to local players like Micromax, Karbonn, Lava etc. to think afresh how to deal with the situation.



(f) **Helps in improving performance**

- Environmental studies reveal that the success of any enterprise is closely bound with the changes in the environment.
- The enterprises which monitor and adopt suitable business practices not only improve their performance but become leaders in the industry also.
- For example, Apple has been successful to maintain its market share due to its proper understanding of the environment and taking suitable innovations in its products.

Or

(a) The feature of business environment which is being discussed is **inter-relatedness**. Different forces of business environment are inter-related to each other. One component of the business environment affects the functioning of other components.

(b) The features of business environment other than the highlighted above are:

(i) **Totality of external forces**

- Business environment includes everything which is outside the organisation.
- When all the forces are added, they will form a business environment.
- Business environment is the sum total of all the forces/factors external to a business firm.
- For example, when Pepsi and Coca-Cola got permission to set up their business in India, it was an opportunity for them and threat for local manufacturers like gold spot, camp-cola etc.

(ii) **Specific and general forces**

- Business environment includes both specific and general forces.
- **Specific forces** are those forces which directly affect the operational activities of the business enterprise.
- For example, suppliers, customers, investors, competitors etc.
- **General forces** are those forces which indirectly affect the functioning of business enterprises.
- For example, economic, social, political, legal and technological conditions.

(iii) **Dynamic nature**

- The business environment is dynamic in nature and keeps on changing in terms of technological improvement, shifts in consumer preferences and the entry of new competition in the market.
- For example, many established companies in Fast Moving Consumer Goods (FMCG) sector are focusing on producing the goods with natural ingredients with the entry of 'Patanjali Products'.

**(iv) Uncertainty**

- The changes in the business environment cannot be predicted accurately because of future uncertainties, especially in case of:
  - ✓ Information technology
  - ✓ Fashion industry
- For example, there has been a sharp decline in the prices of Android smartphones due to the entry of many new companies.

**(v) Complexity**

- Business environment is complex which is easy to understand in parts separately but it is difficult to understand in totality.
- All forces of the business environment are inter-related and dynamic which makes it difficult to understand.
- For example, increase in goods and services tax to 15% would increase the revenue of the government (economic), which would help the government to improve social being of people (social) and reduce the personal disposable income of rich people and thereby controlling inflation (economic).

**(vi) Relativity**

- Business environment differs from place to place, region to region and country to country.
- For example, in China, the electricity to the industry is provided at cheaper rates as the consumption increases and hence, it leads to mass production whereas, in India, it is otherwise, higher consumption of electricity leads to costly electricity which results in lower production and higher cost of production.
- Political conditions in USA differ from those in Pakistan or China. *(any three)*

**33. (a) (i) Order Processing**

- A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in wrong quantity or specifications.

**(ii) Transportation**

- Transportation is the means of carrying goods and raw materials from the point of production to the point of sale.
- It is important because unless the goods are physically made available, the sale cannot be completed.

**(iii) Warehousing**

- Warehousing refers to the act of storing and assorting products in order to create time utility in them.
- The basic purpose of warehousing activities is to arrange placement of goods and provide facilities to store them.
- Generally, the efficiency of a firm in serving its customers will depend on where these warehouses are located and where are these to be delivered. *(any two)*

(b)

Basis	Advertising	Personal Selling
(a) Cost	The cost per person reached is low in advertising.	The cost per person reached is high in personal selling.
(b) Suitability	It is more useful in marketing a product or service whose consumer's are spread over large geographical area.	It is more helpful in selling industrial products and goods whose dealers and retailers are relatively few in number.
(c) Reach	It can cover a large number of people within a shorter period of time.	It can cover a limited number of people within a time period.
(d) Feedback	It lacks direct feedback.	It provides direct and immediate feedback.
(e) Form	It is an impersonal form of communication.	It is a personal form of communication.
(f) Flexibility	A standard message is transmitted to all the customers without differentiating their needs, so it is inflexible.	The sales talk is adjusted according to the need of the customer, so it is flexible.

(any three)

34. 1. (a) Money market is a market for short term funds which deals in monetary assets whose period of maturity is up to one year.
- (b) It enables the raising of short-term funds for meeting the temporary shortages of cash and obligations and the temporary deployment of excess funds for earning returns.
2. (a) Stock market index measures overall market sentiment through a set of stocks that are representative of the market. It reflects market direction and indicates day-to-day fluctuations in stock prices.
- (b) The two global stock market indices are:
- Dow Jones
  - NASDAQ
  - S & P 500
  - FTSE 100

(any two)

The two Indian markets indices are:

- SENSEX
- NIFTY