

# Answers to RBS–DS2/Set-1

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1. (b) Coordination is a deliberate function
2. (d) (i) and (v)
3. (b) Providing managers with useful insights into reality
4. (b) Planning reduces creativity
5. (c) Both the statements are true
6. (c) (ii), (i), (iv), (iii)
7. (d) More number of organisational levels
8. (c) analysed
9. (a) Trading on equity
10. (d) Money market
11. (a) To meet demand of specific situations
12. (d) Helps to fulfil social needs of members and allows them to find like-minded people
13. (b) The work is completed within 10 days even at higher cost per unit.
14. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
15. (c) Clarity in working relationships
16. (a) Placement Agencies and Management Consultants
17. (b) A – (iv), B – (i), C – (ii), D – (iii)
18. (a) Long-term investment decision
19. (a) pay-in day
20. (c) fixed, variable
21. The step of Controlling process applicable in the given case is **Taking Corrective Action**. It is the final step in the process of controlling. No corrective action is required when the deviations are within acceptable limits. However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished. Corrective action might involve training of employees if the production target could not be met. In case, the deviation cannot be corrected through managerial action, the standards may have to be revised.

**Or**

The step taken by Harsha that is related to one of the functions of management is **Measurement of Actual Performance**. Performance should be measured in an objective and reliable manner. There are several techniques adopted for measurement of performance such as personal observation, sample checking, performance reports, etc. The performance

should be measured in the same units in which standards are set as this would make their comparison easier. It is generally believed that measurement should be done after the task is completed. However, wherever possible, measurement of work should be done during the performance. For example, in case of assembling task, each part produced should be checked before assembling.

22. The three points highlighting the importance of business environment are:

**(a) Enables the identification of opportunities and getting the first mover advantage**

- Opportunities are the favourable changes in the business environment which can help a firm to improve its performance.
- Early identification of this opportunity helps an enterprise to take the first mover advantage otherwise it would be lost to its competitors.

**(b) Helps in identification of threats and early warning signals**

- Threats are the unfavourable changes in business environment that can hinder a firm's performance.
- Understanding of business environment helps a manager to identify the threats on time so that he could prepare to meet them by taking appropriate measures.

**(c) Helps in tapping useful resources.**

- An enterprise depends on the environment as a source of inputs and as an outlet for outputs.
- The understanding of business environment enables an enterprise to procure the resources it needs and convert them into output that the environment desires.

*(or any other relevant point)*

**Or**

The features of demonetisation are:

(a) It is viewed as a tax administration measure. Cash holdings arising from declared income was readily deposited in banks and exchanged for new notes. But those with black money had to declare their unaccounted wealth and pay taxes at a penalty rate.

(b) It is interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted.

(c) It led to tax administration channelising savings into the formal financial system. Though, much of the cash that has been deposited in the banking system is bound to be withdrawn but some of the new deposits schemes offered by the banks will continue to provide base loans, at lower interest rates.

(d) It is to create a less-cash or cash-lite economy, i.e., channelling more savings through the formal financial system and improving tax compliance. *(any three)*

23. The nature of management highlighted in the given statement is management as 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 assumes that there exists certain theoretical knowledge.
    - In Management, there is existence of theoretical knowledge. Lots of literature is available for marketing, finance and human resources, 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.
24. (a) **Leadership**
- Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards the achievement of organisational goals.
  - It indicates the ability of an individual to maintain good inter-personal relations with followers and motivate them to contribute for achieving organisational objectives.
- (b) **Motivation**
- Motivation means incitement or inducement to act or move.
  - In the context of an organisation, it means the process of making subordinates to act in a desired manner to achieve certain organisational goals.
25. (a) The function performed by the market in the given case is allocative function.
- (b) The features of money market are as follows:
- It is a market for short-term funds which deals in monetary assets whose period of maturity is up to one year.
  - It is a market where low risks, unsecured and short-term debt instruments that are highly liquid are issued and actively traded every day.
  - It enables the raising of short-term funds for earning returns.
  - The major participants in this market are the Reserve Bank of India, Commercial Banks, Non-Banking Finance Companies, State Governments, Large Corporate Houses and Mutual Funds. (any three)

26. Muskan, an NGO, is offering the financial incentive of perquisites and fringe benefits. It includes housing, medical aid, education to the children over and above the salary. The three financial incentives are:

(a) **Pay and allowances**

- For every employee, salary is the basic monetary incentive. It includes basic pay, DA and other allowances.
- Salary system consists of regular increments in the pay every year and enhancement of allowances from time to time.

(b) **Productivity linked wage incentives**

- Several wage incentives aim at linking payment of wages to increase in productivity at individual or group level.

(c) **Profit sharing**

- Profit sharing is meant to provide a share to employees in the profits of the organisation.
- This serves to motivate the employees to improve their performance and contribute to increase in profits.

(d) **Co-partnership**

- The employees are offered companies share at a price lower than the market price.
- The management may also allot a share in line of various incentive payable in cash.
- This would create a feeling of ownership in the employee and make them contribute to the organisation's growth.

(e) **Retirement benefits**

- It includes pension, gratuity fund, and retirement provident fund.
- It provides security for retirement as well as serves as incentives for the time they have spent working in organisation. (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 four)

27. **Functional structure** is suitable when the size of the organisation is large, has a diversified activities and operations require a high degree of specialisation.

The disadvantages of functional structure are:

(a) **Ignorance of organisational objectives**

- Each departmental head overemphasised their departmental objectives ignoring overall organisational objectives which may lead to creation of functional empires.

- (b) **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.
- (c) **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.
- (d) **Inflexibility**
- Functional heads do not obtain experience required for top management positions.
  - Specialised skills and narrow perspective may lead to inflexibility. (any three)
28. (a) No, Gagan cannot file a complaint against the seller in the consumer court as she does not have cash-memo. It serves as a proof of the purchase. She had purchased mobile phone on the verbal commitment only.
- (b) The responsibilities that a consumer must keep in mind while purchasing any good are:
- (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) 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.
  - (viii) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
  - (ix) Respect the environment. Avoid waste, littering and contributing to pollution.
- (any three)
29. (a) **Planning is pervasive:** Planning is required at all levels of management as well as in all departments of the organisation. It is not an exclusive function of top management nor of any particular department. But the scope of planning differs at different levels and among different departments. For example, top management undertakes planning for the organisation as a whole; middle management does the departmental planning; at the lowest level, day-to-day operational planning is done by supervisors.

(b) **Planning is continuous:** Plans are prepared for a specific period of time, may be for a month, a quarter, or a year. At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence, planning is a never ending activity process. Continuity of planning is related with the planning cycle. It means that a plan is framed, it is implemented, and is followed by another plan, and so on.

**Or**

(a) **Planning provides directions:** By stating in advance, how the work is to be done planning provides direction for action. Planning ensures that objectives are clearly stated in order to develop appropriate course of action. If the plans are set, the department and individuals can work in coordination.

(b) **Planning establishes standards for controlling:** Planning provides the standards against which the actual performance is measured. Actual performance is compared with standards, to know if the goals have been achieved. If there is any deviation it can be corrected. Therefore, planning is a pre-requisite for controlling. If there were no goals and standards, then finding deviations which are a part of controlling would not be possible. The nature of corrective action required depends upon the extent of deviations from the standard. Therefore, planning provides the basis of control.

30. Brand name is the verbal component of a brand. For example, Asian Paints, Saffola, Maggi and Uncle Chips are the brand names.

The characteristics of a good brand name are:

(a) **Suggestive:** A brand name should suggest something about a product's benefits, its use, quality, product nature, purpose, performance, etc.

(b) **Short and easy:** A brand name should be short, simple, easy to pronounce, recognise and remember. For example, Ponds, VIP, Rin, Vim, etc.

(c) **Capable of registration:** It should be capable of being registered and protected legally under the legislation.

(d) **Distinct:** A brand name should be unique, attractive and distinctive. For example, Sun Light, Fair and Glow, Gold Flake, etc.

(e) **Adaptable:** A brand name should be adaptable to packaging or labelling requirements, to different advertising media and different languages. (any three)

31. (a) The function being performed by Harshil as the Vice President of Stelo Ltd. is Staffing. In the simplest terms, staffing is 'putting people to jobs'. It begins with workforce planning and includes different other functions like recruitment, selection, training, development, promotion, compensation and performance appraisal of work force. In other words, staffing is that part of the process of management which is concerned with obtaining, utilising and maintaining a satisfactory and satisfied work force.

- (b) Proper staffing ensures the following benefits to the organisation:
- (i) It helps in discovering and obtaining competent personnel for various jobs.
  - (ii) It makes for higher performance, by putting right person on the right job.
  - (iii) It ensures the continuous survival and growth of the enterprise through the succession planning for managers.
  - (iv) It helps to ensuring optimum utilisation of the human resources. By avoiding overmanning, it prevents underutilisation of personnel and high labour costs. At the same time, it avoids disruption of work by indicating in advance the shortages of personnel.
  - (v) It improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.

Thus, Staffing function must be performed efficiently by all organisations. It is, therefore, essential that right kind of people must be available in right number at the right time. They should be given adequate training so that wastage is minimum. They must also be induced to show higher productivity and quality by offering them proper incentives.

- 32. 1.** (a) The technique of scientific management to be adhered during production is Standardisation. It refers to the process of setting standards for every business activity.
- (b) The two objectives of standardisation are:
- To reduce a given line or product to fixed types, sizes and characteristics
  - To establish interchangeability of manufactured parts and products
  - To establish standards of excellence and quality in materials
  - To establish standards of performance of men and machines (any two)
- 2.** (a) The principle of management which is being referred to in the above statement is 'Equity'. This principle states that there should be no discrimination against anyone on the basis of religion, gender, language, caste, nationality etc. All employees should be treated fairly.
- (b) The application of this principle is necessary to ensure loyalty and devotion.
- 33. (a) (i)** The regulatory functions of SEBI are:
- It registers brokers, sub-brokers and other players in the market.
  - It registers the collective investment schemes and mutual funds.
  - It regulates stock brokers, portfolio exchanges, underwriters, merchant bankers and business in stock market and other securities market.
  - It regulates the takeover bids of companies.
  - It undertakes inspections, enquiries and audits of stock exchange and intermediaries.
  - Levying fee or other charges for carrying out the purposes of the Act.

- (ii) The protective functions of Securities and Exchange Board of India are:
- It prohibits fraudulent and unfair trade practices like price rigging and manipulation in the securities market.
  - It prohibits insider trading and impose penalties for such practices.
  - It undertakes steps for protection of investors.
  - It promotes fair practices and code of conduct in securities market.
- (iii) The three development functions of Securities and Exchange Board of India (SEBI) are:
- Giving training to intermediaries of securities market.
  - Conducting research and publishing information of use for all market participants.
  - Undertaking measures to develop capital market through a flexible approach.

(any two)

(b)

Basis	Capital Market	Money Market
(i) Meaning	It refers to facilities and institutional arrangements through which longterm funds, both debt and equity, are raised and invested.	It refers to the market for short-term funds which deals in monetary assets whose period of maturity is upto one year.
(ii) Participants	The participants in capital market are financial institutions, banks, corporate entities, foreign investors and members from general public.	The participants in money market are RBI, commercial banks, nonbank finance companies (NBFCs) and State Governments.
(iii) Instruments	It deals in instruments such as equity shares, debentures, bonds, preference shares etc.	Its instruments are commercial bills, certificate of deposit, treasury bills etc

(or any other relevant point)

**Or**

(a) (i) **Investment decision**

- It relates to how the firm's funds are invested in different assets.
- It can be long-term or short-term.
- **A long-term investment decision** is also called a capital budgeting decision.
- It involves committing the finance on a long-term basis.
- For example, making investment in a new machine to replace an existing one or acquiring a new fixed asset or opening a new branch, etc.

- These decisions are very crucial for any business since they affect its earning capacity in the long run.
- The size of assets, profitability and competitiveness are all affected by capital budgeting decisions.
- **A short-term investment decision** is also called working capital decision.
- They are concerned with decisions about the levels of cash, inventory and receivables.
- These decisions affect the day-to-day working of a business.
- These affect the liquidity as well as profitability of a business.
- The essential ingredients of sound working capital management are:
  - ✓ Efficient cash management
  - ✓ Inventory management
  - ✓ Receivables management

**(ii) Financing decision**

- This decision is about the **quantum of finance** to be raised from various long-term sources.
- The main sources of funds for a firm are shareholders' funds and borrowed funds.
- The shareholders' funds refer to the equity capital and the retained earnings.
- Borrowed funds refer to the finance raised through debentures or other forms of debt.
- Financing decision is, thus, concerned with the decisions about how much to be raised from which source.
- This decision determines the overall cost of capital and the financial risk of the enterprise.

**(iii) Dividend decision**

- The third important decision that every financial manager has to take relates to the distribution of dividend.
- Dividend is that portion of profit which is distributed to shareholders.
- The decision involved here is how much of the profit earned by company (after paying tax) is to be distributed to the shareholders and how much of it should be retained in the business.
- The decision regarding dividend should be taken keeping in view the overall objective of maximising shareholder's wealth. (any two)

(b)

Basis	Financial Management	Financial Planning
(i) Meaning	It is concerned with optimal procurement as well as the usage of finance.	It is essentially the preparation of a financial blueprint of an organisation's future operations.
(ii) Aim	It aims at choosing the best investment and financing alternatives by focusing on their costs and benefits. Its objective is to increase the shareholders' wealth.	It aims at smooth operations by focusing on fund requirements and their availability in the light of financial decisions.
(iii) Scope	It has a wide scope as it includes financial planning.	It has a narrow scope as it is one segment of financial management.

(or any other relevant point)

34. The six marketing functions undertaken by Manu and Tanu for the successful marketing of Sona wheat flour are:

(a) **Gathering and analysing market information**

This is the initial step of marketing, through which the important information to identify the needs and wants of the customers is collected for successful marketing of any good or service. A detailed analysis of available opportunities, threats, strengths and weaknesses is made by the organisation and what opportunity can best be pursued is identified. Gathering and analysing information helps to identify the customer's needs and preferences. It forms the basis for the product designing and development.

**Quote:** "To collect data whether there is demand for readymade wheat flour or not, they conducted a market survey."

(b) **Branding**

- It means whether to sell the product in its generic name or in a brand name.
- It helps in differentiation, builds customer loyalty and promote its sale.

**Quote:** "They named their product Sona."

(c) **Pricing of product**

- Price refers to the amount of money to be paid by consumers for purchasing the product.
- It is inversely related to the demand of the product which means lower the price of the product, higher is its demand.

**Quote:** "To penetrate in the market, they decided to keep the price low."

(d) **Storage or 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.

**Quote:** “In order to maintain smooth flow of their product in the market, it was decided to store wheat at CM Services which had scientific processes.”

(e) **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.

**Quote:** “It also has logistics facilitating quick delivery.”

(f) **Customer Support Services**

In order to maximize the level of customer’s satisfaction, businesses should develop customer support services such as after sales services, handling customer complaints and adjustments, providing credit services, maintenance services, technical services and consumer information helplines. These services help in bringing repeated sales from the customers and develop brand loyalty for a product.

**Quote:** “They also set up an online complaint portal to take care of consumer grievances with an aim to provide maximum satisfaction to the customers.”

**Or**

(a) Transportation packaging

(b) The purpose of packaging the tablets in a corrugated box is to facilitate their transportation, warehousing and easy identification.

(c) The functions of packaging are as follows:

- (i) **Product identification:** Packaging helps a product to be easily identified by the customer. For example, Maggi noodles in yellow colour, Lays in blue, green and red colour can be identified easily.
- (ii) **Product protection:** Packaging protects the content of a product from spoilage, breakage, leakage, damage, etc. For example, air tight containers and packets are used for biscuits, tea, etc.
- (iii) **Product promotion:** Packaging promotes the sales of the product. Package is the buyer’s first encounter with the product and is capable in turning the buyer on or off. The colourful attractive packing of the product attracts the customers to buy it. For example, Ferrero Rocher chocolates, Calcium Sandoz, etc.
- (iv) **Facilitating use of product:** The size and shape of the package should be such that it should be convenient to open, handle and use for the consumers. For example, toothpastes, face wash, etc.