

Answers to RBS–DS2/Set-2

1. (b) Common objectives
2. (d) Division of Work
3. (c) Business Environment
4. (c) Planning leads to rigidity
5. (a) Measurement of Actual Performance
6. (b) Security Needs
7. (d) Campus Recruitment
8. (b) Labelling
9. (c) It facilitates discovery of price.
10. (b) It curbs the marketability of the securities.
11. (a) Direct Recruitment
12. (a) Statement I is true and II is false
13. (a) Delegation of authority
14. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
15. (b) Identification and division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships
16. (a) Trade test
17. (a) A – (iv), B – (ii), C – (i), D – (iii)
18. (c) It includes only those activities that are used to provide long-term incentives to boost the sales of a firm.
19. (a) Quantitative standard
20. (d) Planning is the primary function of management

21. Debt:

- **Cost:** Debt is cheaper for the company in comparison to equity since it is tax deductible.
- **Risk:** However, it is riskier than equity since regular payment of interest is mandatory and repayment obligation also cannot be avoided by company.

Equity:

- **Cost:** It involves a high cost to company as risk assumed by shareholders is high, hence expectation of higher returns in the form of dividends. Also, it does not reduce tax liability of the company.
- **Risk:** The risk of issuing equity is less than debt since payment of dividend is not compulsory by the company. Also, repayment is only at the time of liquidation of company.

Or

Yes, I agree with him, as it is a better indicator of company's ability to pay fixed financial charges like interest because it completes the shortcoming in ICR. ICR is unable to show the situation of cash balance whereas in DSCR cash profits generated by the operations are compared with the total cash required for the service of the debt.

The formulae to calculate ICR and DSCR are:

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest}}$$

$$\text{Debt Service Coverage Ratio} = \frac{\text{Profit after tax} + \text{Depreciation} + \text{Interest} + \text{Non-cash expenses}}{\text{Preference dividend} + \text{Interest} + \text{Repayment obligation}}$$

22. No, Sonia cannot appeal further in the State Commission. This is because two months have been already passed and the appeal had to be filed within 45 days of the passing of the order by the District Commission.
23. (a) Optimum utilisation of resources and effective administration
(b) The significance of principles of management is as follows:
- (i) **Providing managers with useful insights into reality**
 - Management principles guide managers to take right decision at right time by improving their knowledge, ability and understanding of various managerial situations and circumstances.
 - It will also enable them to learn from past mistakes and conserve time by solving recurring problems quickly.
 - (ii) **Scientific decisions**
 - Decisions based on management principles tend to be more realistic, balanced and free from personal bias.
 - They emphasise logic rather than blind faith.
 - In their absence, the managers may have to follow trial and error method.
 - (iii) **Meeting the changing environmental requirements**
 - In modern times, only such a business unit can remain alive and develop which can keep pace with the rapidly changing environment. In every field of business activity (production, marketing, etc.) new techniques are emerging every day.
 - Managers who can understand the changing situation well in time can alone face competition successfully.
 - Management principles provide an effective and dynamic leadership and help the organisation to implement the changes.

(iv) **Fulfilling social responsibility**

- Principles of management not only help in achieving organisational goals but also guide managers in performing social responsibilities.
- More efficient managers can make good quality products at reasonable prices available all the times.

(v) **Management training, education and research**

- Management principles are helpful in identifying the areas in which existing and future managers should be trained.
- They also provide the basis for future research. (any two)

24. (a) Product Concept

(b) **Means:** Product improvements

Ends: Profit through product quality

Or

(a) Societal Marketing Concept

(b) **Means:** Integrated marketing

Ends: Profit through customer's satisfaction and social welfare

25. (a) Regulatory function

(b) The regulatory functions of the Securities and Exchange Board of India are:

- (i) Registration of collective investment schemes and mutual funds
- (ii) Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers and the business in stock exchanges and any other securities market
- (iii) Regulation of taken over bids by companies
- (iv) Calling for information by undertaking inspection conducting enquiries and audits of stock exchanges and intermediaries
- (v) Levying for or other charges for carrying out the purposes of the act
- (vi) Performing and exercising such power under Securities Contracts Act, 1956, as may be delegated by the Government of India (any three)

26. The types of planning function of management being discussed in the given case are:

(a) **Objective**

- The process of planning begins with the setting up of objectives. Objectives are the end points towards which the activities of an organisation are directed.
- They are said to be the desired future position that the management would like to reach.
- Objectives are set by the top management. They lay down guidelines for the activities and serves as a bench mark for measuring the performance of an organisation.
- Objectives need to be expressed in specific terms. They should be expressed in quantitative and measurable terms.

(b) Strategy

- A strategy provides the broad contours of an organisation's business. It is a comprehensive plan which acts as a guideline to handle specific problems.
- The three dimensions of strategy are:
 - determining long-term objectives
 - adopting a course of action
 - allocation of resources
- 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.

Or

The two different types of plans that Darshit Chauhan proposes to implement in order to reinstate the confidence of the staff are:

(a) Policy

- It is a general statement that guides thinking or channelising energy towards a particular direction.
- It also defines boundaries within which the decision can be made.
- Policies provide a basis for interpreting strategy.
- There are policies for all levels and departments in the organisation.
- There are major company policies that are common for all customers, clients, competitors, etc.
- Whereas minor policies are for the insiders of an organisation and mainly contain minute details of information important to the employees.

(b) Procedure

- Procedure is a series of chronological steps to be taken to perform an activity.
- Procedures are routine steps on how to carry out activities.
- They detail the exact manner in which any work is to be performed.
- It simplifies the work by eliminating unnecessary steps and brings uniformity of action.
- Procedures are the guidelines to action and they are usually intended to the works which are repetitive in nature.

27. The dimensions of business environment highlighted in the given paragraph are:

(a) Social Environment: It includes various social forces such as customs, beliefs, literacy rate, educational levels, lifestyle, values etc. Changes in social environment affect an organisation in the long run.

- For example, now-a-days people are more health conscious, as a result of which demand for mineral water, diet coke etc. has increased while demand of tobacco, fatty food products has decreased.

The components of Social Environment are attitudes towards product innovations, lifestyles, occupational; distribution and consumer preferences; concern with quality of life; life expectancy; expectations from the workforce; shifts in the presence of women in the workforce; birth and death rates; population shifts; educational system and literacy rates; consumption habits; composition of family etc.

(b) Technological Environment

- 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 the quality of the product.
- For example, digital watches in place of traditional watches, booking of railway tickets on internet, use of artificial intelligence in various companies etc.

28. (a) Secondary packaging and Transportation packaging

(b) The importance of packaging is as follows:

(i) Rising standards of health and sanitation

- Packaged goods are preferred over the loose as the chances of contamination or adulteration of products are less.
- People, who are hygiene conscious, generally purchase packaged foods.

(ii) Self-service outlets

- Packaging helps in attracting customers to the products.
- Products with attractive packaging are picked by consumers in such stores.

(iii) Innovation opportunity

- Innovative methods of packaging enable to improve the scope of marketing the products.
- For example, products now can remain fresh for a longer period of time without refrigeration.

(iv) Product differentiation

- One product can be differentiated from another with the help of packaging as different packages have different shapes, sizes and colours. *(any three)*

Or

(a) The component of marketing mix being discussed in the given case is place/physical distribution.

(b) The two main decisions involved in physical distribution are:

- (i) Physical movement of goods from producers to consumers
- (ii) Choice of channel of distribution

(c) The function of marketing is Transportation. It creates place utility through movement of goods from the production of goods to the place of distribution.

29. (a) Organisational climate
(b) Job enrichment
(c) Employee participation
(d) Employee empowerment
30. The steps which Hemant has to take to complete the process of appointment of nurses are:
- (a) **Selection decision**
- The final decision has to be made from among the candidates who pass the tests, interviews and reference checks.
 - The views of the concerned manager will be generally considered in the final selection because it is he/she who is responsible for the performance of the new employees.
- (b) **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.
- (c) **Job offer**
- The next step in the selection process is job offer to those applicants who have passed all the previous hurdles.
 - Job offer is made through a **letter of appointment** to confirm his acceptance.
 - Such a letter generally contains a date by which the appointee must report on duty.
 - The appointee must be given reasonable time for reporting.
- (d) **Contract of Employment:**
- After getting the job offer, the candidate has to give his acceptance.
 - After acceptance, both employer and employee will sign a contract of employment which contains terms and conditions, pay scale, leave rules, hours of work, mode of termination of employment etc.
31. (a) (i) **Authority**
- It refers to the right of an individual to command his subordinates and to take action within the scope of his position.
 - The concept of authority arises from the established scalar chain, which links the various job positions and levels of an organisation.
 - It must be noted that authority is restricted by laws and the rules and regulations of the organisations.
 - It flows downward.
- (ii) **Responsibility**
- It is the obligation of a subordinate to properly perform the assigned duty.
 - It arises from a superior-subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior.
 - It flows upward.

(iii) **Accountability**

- It implies being answerable for the final outcome.
- Once authority has been delegated and responsibility accepted, one cannot deny accountability.
- It cannot be delegated and flows upwards, *i.e.*, a subordinate will be accountable to a superior for satisfactory performance of work. (any two)

(b)

Basis	Formal Organisation	Informal Organisation
(i) Meaning	It refers to the relationship between authorities as defined by the management.	It refers to the relationship based on personal and informal relationship among the employees.
(ii) Origin	It originates from the rules and policies of the management.	It originates from the social interactions among the employees.
(iii) Authority	Authority is defined by the profile and managerial positions.	Authority is defined by the personal qualities of the employees.
(iv) Flow of communication	Communication flows through scalar chain.	No planned route of communication is followed.
(v) Nature	These are rigid in nature.	These are flexible in nature.

(any three)

Or

- (a)
- (i) **Clarity in working relationship:** The establishment of working relationships clarifies the lines of communication and specifies, 'who will report to whom'. This removes ambiguity in transfer of information and instructions.
- (ii) **Effective administration:** Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work. Management of an enterprise thereby becomes easy and brings effectiveness in administration.
- (iii) **Expansion and growth:** Organising helps in the growth and diversification of an enterprise by enabling it to deviate from existing norms and taking up new challenges and also by facilitating its efficient management. (any two)

(b)

Basis	Functional Structure	Divisional Structure
(i) Meaning	It is formed by grouping entire work on the basis of functions.	It is formed by grouping jobs on the basis of product or area of operation.
(ii) Formation	It is formed on the basis of functions or activities performed.	It is formed on the basis of product lines or area of operation.
(iii) Specialisation	It leads to functional specialisation.	It leads to product specialisation.
(iv) Responsibility	It is difficult to fix responsibility for success or failure of a product.	It is easy to fix responsibility for the performance.
(v) Managerial development	Difficult as a manager develops only one perspective of business operation.	Easy as a manager gains experience in all functions related to a particular product.

(any three)

32. 1. (a) The five inter-linked functions performed by a manager are Planning, Organising, Staffing, Directing and Controlling.
- (b) The characteristic of management highlighted in the given statement is 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 required by an organisation to effectively and efficiently achieve its objectives is Coordination. It involves synchronisation of the different actions or efforts of the various units of an organisation.
- (b) One reason why coordination is needed to reconcile differences in approach, timing, effort or interest is:
- (i) **Growth in the size**
- With the growth in the size of an organisation, there is a proportionate increase in the number of its employees.
 - So there is a greater need to unify the efforts of diverse individuals towards the realisation of organisational goals.
- (ii) **Functional differentiation**
- As a result of functional differentiation in an organisation, its people and activities get divided into small departments on the basis of functions like marketing, finance etc.
 - Since each such department tends to formulate its own objectives, policies etc., there is a need to reconcile the goals pursued by each of such departments with the goals of the organisation as a whole.
- (iii) **Specialisation**
- Modern organisations are characterised by a high degree of specialisation.
 - Specialisation arises out of the complexities of modern technology and the diversity of tasks to be performed.
 - Organisations, therefore, need to employ a number of specialists. Specialists usually think that they only are qualified to evaluate, judge and decide according to their professional criteria.
 - They do not take advice or suggestions from others in matters pertaining to their area of specialisation.
 - This often leads to conflict amongst different specialists as well as others in the organisation.
 - Therefore, some coordination is required by an independent person to reconcile the differences in approach, interest or opinion of the specialists.
- (any one)*

33. (a) The semantic barrier to effective communication discussed in the given paragraph is faulty translations.

(b) The five semantic barriers are:

(i) **Badly expressed message**

- Sometimes intended meaning may not be conveyed by a manager to his subordinates.
- These badly expressed messages may be on account of inadequate vocabulary, usage of wrong words, omission of needed words, etc.

(ii) **Symbols with different meanings**

- A word may have several meanings. Receiver has to perceive one such meaning for the word used by communicator.
- For example, consider these three sentences where the word 'value' is used:
 - (a) What is the value of this ring?
 - (b) I value our friendship.
 - (c) What is the value of learning computer skills?
- 'Value' gives different meaning in different contexts.
- Thus, wrong perception leads to communication problems.

(iii) **Unclarified assumptions**

- Some communications may have certain assumptions which are subject to different interpretations.
- For example, a boss may instruct his subordinate, "Take care of our guest". Boss may mean that subordinate should take care of transport, food, accommodation of the guest until he leaves the place.
- The subordinate may interpret that guest should be taken to hotel with care.
- Actually, the guest suffers due to these unclarified assumptions.

(iv) **Technical jargon**

- It is usually found that specialists use technical jargon while explaining to persons who are not specialists in the concerned field.
- Therefore, they may not understand the actual meaning of many such words.

(v) **Body language and gesture decoding**

- Every movement of body communicates some meaning.
- The body movement and gestures of communicator matters so much in conveying the message.
- If there is no match between what is said and what is expressed in body movements, communications may be wrongly perceived.

Or

- (a) The function of management discussed in the given paragraph is **Directing**. It refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.
- (b) The importance of Directing is as follows:
- (i) **Initiates action**
 - It helps to initiate action by people in the organisation towards attainment of desired objectives by giving proper directions.
 - For example, if a supervisor guides his subordinates and clarifies their doubts in performing a task, it will help the worker to achieve work targets given to him.
 - (ii) **Integrates employees' efforts**
 - It integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance.
 - Thus, it ensures that the individuals work for organisational goals.
 - It helps in integrating employees' efforts, as it integrates all their actions by proper communication and leadership.
 - (iii) **Guides employees**
 - It helps in bringing out potential and enhancing capabilities of employees by motivating and leading them as and when required.
 - (iv) **Facilitates introduction of changes**
 - It helps in introducing changes in an organisation as it calms down the resistance which occurs against that change.
 - Effective directing through motivation, communication and leadership helps to reduce such resistance and develop required cooperation in introducing changes in the organisation.
 - For example, if a manager wants to introduce new system of accounting, there may be initial resistance from accounting staff.
 - But, if manager explains the purpose, provides training and motivates with additional rewards, the employees may accept change and cooperate with manager.
 - (v) **Brings stability and balance**
 - It brings stability and balance in the organisation by fostering cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments.

34. (a) Financial Planning

(b) The importance of financial planning is as follows:

- (i) It helps in forecasting what may happen in future under different business situations. By doing so, it helps the firms to face the eventual situation in a better way.
- (ii) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.
- (iii) It helps in coordinating various business functions, e.g., sales and production functions, by providing clear policies and procedures.
- (iv) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts, and gaps in planning.
- (v) It tries to link the present with the future.
- (vi) It provides a link between investment and financing decisions on a continuous basis.
- (vii) By spelling out detailed objectives for various business segments, it makes the evaluation of actual performance easier. *(any five)*