

Answers to RBS–DS2/Set-3

1. (a) Management helps in achieving personal objectives
2. (c) ₹ 1315
3. (b) Semantic barrier
4. (c) Method
5. (a) Structure of bones
6. (b) Public employment
7. (c) Permutations and combinations
8. (c) Both forward and backward looking
9. (d) Dividend constitutes the future income re-investment as retained earnings increases the firm's future earning capacity.
10. (a) Earning Before Interest and Tax
11. (c) Marketing concept
12. (c) Both the statements are true
13. (d) Business Environment
14. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
15. (a) Dematerialisation
16. (a) Unfair trade practices
17. (d) A – (iv), B – (iii), C – (i), D – (ii)
18. (a) Functional structure
19. (d) Financial management
20. (a) (iv), (iii), (ii), (i)
21. The sources of recruitment recommended by the Human Resource Department are:
 - (a) **Web publishing**
 - These days internet has become an important medium for recruitment. Special websites have been created for the purpose of recruitment through internet.
 - (b) **Casual callers**
 - In many reputed organisations, some really talented and brilliant people continue sending their applications from time to time with hope that whenever some need arises, they may come across an opportunity for appointment.

Or

- (a) **Personality test**
- (b) The other selection tests are:
 - (i) **Intelligence test:** This is one of the important psychological tests used to measure the level of intelligence quotient of an individual. It is an indicator of a person's learning ability or the ability to make decisions and judgements.

- (ii) **Aptitude test:** It is a measure of individual's potential for learning new skills. It indicates the person's capacity to develop. Such tests are good indices of a person's future success score.
- (iii) **Trade test:** These tests measure the existing skills of an individual. They measure the level of knowledge and proficiency in the area of professions or technical training.
- (iv) **Interest test:** Every individual has fascination for some job than the other. Interest tests are used to know the pattern of interests or involvement of a person. (any two)

22. The function of management which is highlighted in the given case is 'Organising'. It can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals). The two steps of Organising which are indicated in the given case are:

(a) **Identification and division of work**

- The first step in the process of Organising involves identifying and dividing the work in accordance with the pre-determined plans.
- The work is divided into manageable activities so that duplication of work can be avoided and the burden of work can be shared among the employees.

(b) **Assignment of duties**

- It define the work of different job positions and allocate work accordingly.
- Once departments are formed, the department is placed under the charge of an individual.
- Jobs are assigned to an individual best suited to perform it.
- Qualifications, experience, ability and aptitudes of people should be matched with duties.

Or

The importance of Organising highlighted in the given case is as follows:

(a) **Benefits of specialisation**

- In Organising, every individual is assigned a part of total work and not the whole task.
- This division of work into smaller units and repetitive performance leads to specialisation.
- Thus, organising promotes specialisation which in turn leads to efficient and speedy performance of tasks.

(b) **Clarity of working relationships**

- It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job.
- The superior-subordinate relationship is clearly defined in organising.

- (c) **Development of personnel**
- When managers delegate their authority, it reduces their workload so they can focus on more important issues related to growth and innovation.
 - This also develops the subordinates' ability and helps him to realise his full potential.
 - Sound organisation encourages initiative and relative thinking on part of the employees.
23. Semantic barriers are concerned with problems and obstructions in the process of encoding and decoding of message into words or expressions. The three semantic barriers to communication are:
- (a) **Badly expressed message:** Due to inadequate vocabulary, usage of wrong words or omission of the needed words, the communication may not convey the intended meaning.
 - (b) **Faulty translations:** Sometimes the communication originally drafted in one language, needs to be translated to another language. If the translator is not proficient enough, mistakes may creep in thereby imparting a different meaning to the communication.
 - (c) **Technical jargon:** Sometimes, the specialists may use the technical words of their concerned field which may not be understood by a person who is not from that field. These words may be interpreted by him in a different manner.
 - (d) **Symbols with different meanings:** If a message contains sign, symbol or words of different meaning, it may not convey the right meaning to the receiver. This is because the receiver may perceive the meaning of those words or symbols differently and not what is intended by the communicator. (any three)
24. The dimensions of business environment highlighted in the given case are:
- (a) Economic environment
Quote: "Customer income is rising"
 - (b) Social environment
Quote: "People have developed a taste for better quality products even though they may have to pay more."
 - (c) Political environment
Quote: "The government permitted cent per cent foreign direct investment in some sectors of retailing."
25. (a) Motivation
(b) Communication
(c) Leadership
(d) Supervision
26. (a) The function of marketing highlighted in the above case is Branding.
(b) The element of promotion mix which has been highlighted in the above case is Personal Selling. It involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. It is a personal form of communication.

- (c) The two types of names highlighted in the given case are:
- (i) Generic name
Quote: 'When he had kept no name for his pens and was just selling them as pens.'
 - (ii) Brand name
Quote: 'When he had kept the name of his pens as Remo pens.'
27. (a) Satish is working at operational/supervisory level of management.
- (b) The three functions expected to be performed by Satish are:
- (i) To oversee the efforts of the workforce
 - (ii) To interact with the actual workforce and pass on the instructions of the middle management to the workers
 - (iii) To ensure that the quality of output is maintained and wastage of material is minimised
 - (iv) To ensure that safety standards are maintained (any three)
28. (a) The **right to information** is being fulfilled by the directives of SEBI in the given case. According to this right, a consumer has the right to get complete information about the product that he/she may propose to buy including its contents, date of manufacture and expiry, maximum retail price, quantity, directions for use etc. Moreover, as per law, it is mandatory for the marketers to provide complete information about the product/service to buyers.
- (b) The importance of consumer protection from businessmen's point of view is as follows:
- (i) **Long-term interest of business**
 - In the race of competition, the businessmen can win and capture a big share in the market only when they are able to satisfy its customers by designing the products keeping in mind the requirements of customers.
 - The businessmen who ignore the interest and satisfaction of customers lose their goodwill and clients.
 - So, it is in interest of business itself to keep its customers satisfied.
 - (ii) **Businessmen uses society's resources**
 - Businessmen use the resources of society.
 - They earn profit by supplying goods and services to the members of society so it must do something for society.
 - Businessmen are merely trustee of resources; they must use these resources for the benefits of consumers.
 - (iii) **Social responsibility**
 - A businessman has social obligations towards various groups and customer is one of the important groups.
 - It is responsibility of businessmen to provide quality goods at reasonable prices.
 - Consumer protection guides businessmen to provide social responsibilities.

(iv) **Moral justification**

- Traditionally, ethics was part of profession only, but today ethics is playing very important role in business also.
- The ethics or a moral value practiced by the businessmen adds glory to businessmen. In today's environment, business without ethical value is not more than a criminal activity and no civil society can tolerate and allow the existence of unethical business.

(v) **Government intervention**

- If businessmen want to avoid intervention of government, then they should not involve in unfair trade practices.
- Government intervention may spoil the image of business.
- Businessmen should voluntarily involve in the activities which protect the interest of consumers. (any two)

Or

(a) The **right to be assured** has been violated in the given case as Aryan was forced by the shopkeeper to buy a particular brand of chocolate. According to this right, a consumer has the right to be assured from a variety of products at competitive prices. Also, the marketers should offer a wide variety of products to buyers.

(b) The importance of consumer protection from consumer's point of view is as follows:

(i) **Consumer ignorance**

- In the light of widespread ignorance of consumers about their rights and reliefs available to them, it becomes necessary to educate them about the same so as to achieve consumer awareness.

(ii) **Unorganised consumers**

- Consumers need to be organised in the form of consumer organisations which would take care of their interests.
- Though, in India, we do have consumer organisations which are working in this direction, adequate protection is required to be given to consumers till these organisations become powerful enough to protect and promote the interests of consumers.

(iii) **Widespread exploitation of consumers**

- Consumers might be exploited by unscrupulous, exploitative and unfair trade practices like defective and unsafe products, adulteration, false and misleading advertising, hoarding, black-marketing, etc.
- Consumers need protection against such malpractices of the sellers.

(any two)

29. (a) Labelling

(b) The importance of labelling is as follows:

(i) **Describe the product and specify its contents**

- It specifies the contents and other features of the product.
- It enables the manufacturer to give clear instructions to the consumer about the proper use of the product.
- It helps to describe the product, its usage, cautions in use, contents, manufacturing and expiry dates, price, quantity, etc.

(ii) **Identification of the product or brand**

- It gives a definite identity to the product or brand and therefore, the identification of a product becomes easy.
- 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**

- It helps to categorise different products in different grades.
- Sometimes marketers assign different grades to indicate different features or quality of the product.

(iv) **Helps in promotion of products**

- It aids in promotion of the products as it attracts 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.

(v) **Providing information required by law**

- It provides information required by law.
- 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. (any three)

30. Priyanka should not choose debt for financing the modernisation and expansion of her food processing business.

The reasons for not choosing debt are:

(a) **Cash flow position:** Due to weak cash flow position, the firm may not be able to honour fixed cash payment obligations.

(b) **Fixed operating cost:** Increased fixed operating cost will increase the business risk, therefore debt should not be issued as it further increases the financial risk.

(c) **Stock market condition:** The stock market condition being bullish, the investors will prefer to buy equity shares.

Or

- (a) In the given case, the essential ingredients of sound working capital management have been highlighted.
- (b) The essential ingredients of sound working capital management are accounts receivables, cash and inventory.
- (c) The other term used for long-term investment decision is 'Capital Budgeting Decision'.
- (d) The size of assets, profitability and competitiveness are all affected by long-term investment decision.

31. (a) (i) A Depository Participant (DP) serves as an intermediary between the investor and the depository (NSDL or CSDL) who is authorised to maintain the accounts of dematerialised shares.
- (ii) The process by which allocation of funds is done is called financial intermediation.
- (iii) There are two major alternative mechanisms through which allocation of funds can be done. They are banks and financial markets.
- Households can **deposit** their surplus funds with banks, who in turn could lend these funds to business firms.
 - Alternatively, households can **buy the shares and debentures** offered by a business using financial markets. (any two)

Basis	Primary Market	Secondary Market
(i) Securities traded	It is the new issue market dealing with new securities being issued for the first time.	It is the market for sale and purchase of existing securities.
(ii) Parties to transaction	The securities are sold by the company to the investors directly or through intermediaries.	The securities are sold and purchased by investors. There is no involvement of the company.
(iii) Capital formation	It directly promotes capital formation by transferring funds from savers to investors.	It indirectly promotes capital formation by enhancing liquidity of securities.
(iv) Location	There is no fixed geographical area.	There is a specific location of this market.
(v) Price determination	Prices are determined and decided by management of the company.	Prices are determined by the interaction of demand and supply forces.
(vi) Transaction	Only buying of securities takes place in this market. Sale of securities is not possible in this market.	Both buying and selling of securities take place here.

(any three)

Or

(a) (i) Pricing of securities

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

(ii) Contributes to economic growth

- A stock exchange is a market in which existing securities are resold or traded.
- Through this process of disinvestment and reinvestment, savings get channelised into their most productive investment avenues.
- This leads to capital formation and economic growth.

(iii) Spreading of equity cult

- The stock exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments. (any two)

(b)	Basis	Capital Market	Money Market
	(i) Meaning	It refers to facilities and institutional arrangements through which long-term 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, non-bank 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.
	(iv) Investment outlay	The unit value of capital market securities is generally low. They are generally multiples of 5, 50 or so. Thus, investment in capital market do not require huge financial outlay.	Investment outlay for money market transactions is huge as instruments are quite expensive.
	(v) Duration	It deals in medium and long-term securities such as equity shares and debentures.	The maximum tenure of money market instruments is one year.
	(vi) Liquidity	Capital Market securities can be marketed in the stock exchange, it is possible that a share may not be actively traded and it may not find a buyer easily.	The Money Market instruments are more liquid than capital market instruments. The Discount Finance House of India provides a ready market for money market instruments.

(any three)

32. Yes, controlling is an indispensable function of management, as it is a force which helps the management to attain the pre-determined or planned performance.

The importance of controlling is as follows:

(a) Accomplishing organisational goals

- It measures the performance against the pre-determined standards and corrects deviations.
- It helps in ensuring that organisation is moving on right track to achieve the organisational goals.
- In other words, by controlling, the manager ensures that resources are obtained and used economically and efficiently for the achievement of organisational objectives.

(b) Judging accuracy of standards

- A sound controlling system helps the management to verify whether the standards set are accurate and objective.
- It keeps a careful check on the changes, which are taking place in the organisation and helps in revising standards as and when required.

(c) Making efficient use of resources

- By exercising control, a manager seeks to reduce wastage and spoilage of resources.
- Each activity is performed in accordance with pre-determined standards and norms.
- This ensures that resources are used in the most effective and efficient manner.

(d) Improves employees' morale

- The implementation of controlling makes all the employees to work with complete dedication because they are aware that their performance will be evaluated and they will have a chance to build their reputation in the organisation.
- The employees who show good performance are rewarded by giving them promotions, cash prizes, etc.

(e) Ensuring order and discipline

- It creates an atmosphere of order and discipline in the organisation.
- It helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities.

(f) Facilitating coordination in action

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

Or

The various steps involved in the controlling process are:

(a) Setting performance standards

- The first step in the controlling process involves setting standards in clear, specific and measurable terms.
- Standards can be set in both quantitative as well as qualitative terms.
- It is important that standards should be flexible enough to be modified with the changes taking place in the internal and external business environment.

(b) Measurement of actual performance

- The next step relates to the measurement of actual performance. Performance should be measured in an objective and reliable manner.
- As far as possible, performance should be measured in the same units in which standards are set as this would make their comparison easier.
- Depending upon the nature of work, various techniques for measurement of performance like personal observation, sample checking, performance reports, etc. may be used.

(c) Comparison of actual performance with standards

- This step involves comparison of actual performance with the standards.
- Such comparison will reveal the deviation and noting deviations, if any.
- If the actual performance is more than planned performance, deviations are said to be positive or vice-versa.

(d) Analysing deviations

- Once the deviations are identified it is important to analyse them through:

(i) Critical point control

- All the deviations may not be significant.
- Moreover, it may be neither economical nor easy to monitor each and every activity in the organisation.
- Therefore, every organisation identifies and states its specific Key Result Areas (KRAs) or critical points which require tight control are likely to have a significant effect on the working of the business.
- Any deviations on these points are attended to urgently by the management.
- Like if the expenditure on refreshment of workers goes up by 10% it can be ignored but if the production cost goes up by 5% it may call for managerial action.

(ii) Management by exception

- Management by exception is the principle of management control which is based on the belief that if you try to control everything, you may end up controlling nothing.

- Therefore, only significant deviations which go beyond the permissible limits should be brought to the notice of the management.
- Like the output defects upto 2% may be considered acceptable but if goes up by 5% it may call for managerial action.

(e) **Taking corrective action**

- This is the final step involved in the controlling process.
- When the deviations are within acceptable limits no corrective action is required.
- 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, buying new machinery, increasing supervision and so on.

33. The features of planning which are discussed in the given paragraph are:

(a) **Quote:** “Since it is an intellectual activity requiring intelligent imagination and sound judgement so it is mainly done by the top management”

Planning is a mental exercise: Planning requires application of the mind involving foresight, intelligent imagination and sound judgement. Since planning defines what is to be done in the future, it requires sound thinking rather than doing it. However, planning requires logical and systematic thinking rather than guess work or wishful thinking. In other words, thinking for planning must be orderly and based on the analysis of facts and forecasts.

(b) **Quote:** “The top management formulates plans for the next year by analysing and predicting the future to meet future events effectively”

Planning is futuristic: Planning is futuristic in the sense that it foresees in the long-term thereby helping to prepare for to organise uncertain future events. Planning essentially involves looking ahead and preparing for the future. The purpose of planning is to meet future events effectively to the best advantage of an organisation. It implies peeping into the future, analysing it and predicting it. Planning is, therefore, regarded as a forward looking function based on forecasting. Through forecasting, future events and conditions are anticipated and plans are drawn accordingly.

The limitations of planning which are discussed in the given paragraph are:

(a) **Quote:** “Middle level managers are neither allowed to deviate from the plans nor are they permitted to act on their own”

Planning reduces creativity: Plans are made by only the higher management, and therefore the lower levels of management are not allowed to deviate from the pre-defined course. They only carry out orders. Thus, in the process, lower-level managers tend to lose their creativity. There is nothing new or innovative.

(b) **Quote:** “The top management ensures that the expenses incurred in formulating the plans justify the benefits derived from them”

Planning involves huge costs: Huge costs are involved in the formulation of plans in terms of time and money such as checking accuracy of facts may involve lot of time. Detailed plans require much thought, analysis, scientific calculations etc., which are to be used for formulating a course of action. The costs incurred sometimes may not justify the benefits derived from the plans. There are a number of incidental costs as well, like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan.

34. 1. (a) The Classical Management Theory

(b) General and Industrial Management

The fourteen principles of management are:

- Division of Work
 - Discipline
 - Unity of Direction
 - Centralisation and Decentralisation
 - Order
 - Stability of Personnel
 - Esprit de corps
 - Subordination of Individual Interest to General Interest
 - Authority and Responsibility
 - Unity of Command
 - Remuneration of Employees
 - Scalar Chain
 - Equity
 - Initiative
- (any six)

2. (a) A managerial principle is a broad and general guideline for decision-making and behaviour whereas Values are something, which are acceptable or desirable. They have moral connotations.

(b) Values are general rules for behaviour of individuals in society formed through common practice, whereas principles of management are formed after research in work situations.