

Answers to RBS/Set 1

1. (b) Direct recruitment
2. (c) Statement I is true and Statement II is false
3. (d) Intelligence test
4. (c) The followers are given a high degree of independence to formulate their own objectives and ways to achieve them.
5. (d) 1, 2, 3, 4, 5
6. (d) High financial risk
7. (a) Encoding
8. (b) Right to be heard
9. (c) Planning may not work in a dynamic environment
10. (c) Job offer
11. (b) Political
12. (c) Customer support services
13. (b) A – (ii), B – (iii), C – (iv), D – (i)
14. (b) Fayol's principles are applicable in specialised situations whereas Taylor's principles are universally applicable.
15. (a) District Commission
16. (c) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
17. (b) Departmentalisation
18. (a) (ii), (i), (iii), (iv), (v)
19. (d) Statement II is true and Statement I is false
20. (d) Labelling
21. (a) Financial Planning
 - (b) Financial planning strives to achieve the following twin objectives.
 - (i) **To ensure availability of funds whenever required.**
 - This includes a proper estimation of the funds required for different purposes such as for the purchase of long-term assets or to meet day-to-day expenses of business etc.
 - Apart from this, there is a need to estimate the time at which these funds are to be made available.
 - Financial planning also tries to specify possible sources of these funds.
 - (ii) **To see that the firm does not raise resources unnecessarily**
 - Excess funding is almost as bad as inadequate funding.
 - Even if there is some surplus money, good financial planning would put it to the best possible use so that the financial resources are not left idle and do not unnecessarily add to the cost.
 - Thus, a proper matching of funds requirements and their availability is sought to be achieved by financial planning.

22. (A) Organising is very important in an organisation due to the following reasons:
- (a) **Specialisation:** Organising is concerned with identification of work, dividing into smaller jobs and grouping of similar nature activities into departments. This helps in allocating the work to different workers on the basis of their skills, thereby, leading to specialisation.
 - (b) **Clarity in working relationship:** The function of organising leads to the creation of organisation structure that clarifies the superior-subordinate relationship, thus, leaving no scope for confusion.
 - (c) **Optimum utilisation of resources:** Organising helps in proper assignment of duties and jobs to different individuals which ensures proper allocation of resources and avoids the duplication of work. *(or any other valid point)*

Or

- (B) This framework is known as 'organisation structure'. Organisation structure specifies the relationships between people, work and resources. The need for an adequate organisation structure is felt by an enterprise whenever it grows in size or complexity. Coordination becomes difficult as an organisation grows due to emergence of new functions. Therefore, it becomes necessary for the organisation to pay attention to its structure so that it can function smoothly and face environmental changes.
23. The dimensions of business environment discussed in the given case are social environment and technological environment.

Social Environment

- It includes various social forces such as customs, beliefs, literacy rate, educational levels, lifestyle, values etc.
- Changes in social environment affects an organisation in the long run.

Example:

- Now a days, people are paying more attention towards their health, as a result of which demand for mineral water, diet coke etc. has increased while demand of tobacco, fatty food products has decreased.

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 quality of the products.

Example:

- Digital India initiative by the government and move towards a paperless society.

24. (A) The importance of controlling is as follows:
- (a) The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action.
 - (b) A good control system enables management to verify whether the standards set are accurate and objective.
 - (c) 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.

- (d) A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they are appraised.
- (e) Controlling creates an atmosphere of order and discipline in the organisation.
- (f) Controlling provides direction to all activities and efforts for achieving organisational goals. *(any three)*

Or

(B) The advantages of Management by Exception are:

- (a) It saves the time and efforts of managers as they deal with only significant deviations.
- (b) It focuses managerial attention on important areas. There is better utilisation of managerial talent.
- (c) The routine problems are left to the subordinates. Thus, it facilitates delegation of authority and increases morale of employees.
- (d) It identifies critical problems which need timely action to keep the organisation in right direction. *(any three)*

25. (A) The limitations of using internal sources of recruitment are as follows:

- (a) When vacancies are filled through internal promotions, the scope for induction of fresh talent is reduced. Hence, complete reliance on internal recruitment involves danger of 'inbreeding' by stopping 'infusion of new blood' into the organisation.
- (b) The employees may become lethargic if they are sure of time bound promotions.
- (c) A new enterprise cannot use internal sources of recruitment. No organisation can fill all its vacancies from internal sources.
- (d) The spirit of competition among the employees may be hampered.
- (e) Frequent transfers of employees may often reduce the productivity of the organisation. *(any four)*

Or

(B) The commonly used sources of recruiting the employees from outside the organisation are:

- (a) **Direct recruitment:** A notice is placed on the notice board of the enterprise specifying the details of the jobs available. Job-seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot. It is suitable for filling casual vacancies when there is a rush of work or when some permanent workers are absent.
- (b) **Casual callers:** Many reputed business organisations keep a database of unsolicited applicants in their offices. A list of such jobseekers can be prepared and can be screened to fill the vacancies as they arise. Most of the senior positions of industry as well as commerce are filled by this method. The advantage of advertising vacancies is that more information about the organisation and job can be given in the advertisement.
- (c) **Employment exchange:** Employment exchange run by a government are a good source of recruitment for unskilled and skilled operative jobs. They help to match personnel demand and supply by serving as a link between job-seekers and employers.
- (d) **Placement agencies and management consultants:** Placement agencies provide a nationwide service in matching personnel demand and supply. Management consultancy firms help the organisation to recruit technical, professional and managerial personnel.
- (e) **Campus recruitment:** Many big organisations maintain a close liaison with the universities, vocational schools and management institutes to recruit qualified personnel for various jobs.

- (f) **Recommendation of employees:** Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment. Such applicants are likely to be good for employees because their background is sufficiently known.
 - (g) **Labour contractors:** Labour contractors maintain close contacts with labourers and they can provide the required number of unskilled workers at short notice.
 - (h) **Advertising on television:** The detailed requirements of the job and the qualities required to do it are publicised along with the profile of the organisation where vacancy exist.
 - (i) **Web publishing:** Internet is becoming a common source of recruitment these days. There are certain websites specifically designed and dedicated for the purpose of providing information about both job-seekers and job opening. (any four)
26. (A) (i) **Unorganised consumers:** In India, the consumers need to be organised in the form of consumer organisations to take care of their interest. These organisations represent the unity of consumers and work to protect and promote the interest of consumers.
- (ii) **Widespread exploitation of consumers:** Various unscrupulous, exploitative and unfair trade practices like defective goods, adulteration, misleading advertisement, black marketing etc. prevails in market. The consumers need protection against such malpractices.

Or

- (B) (i) **Long-term interest of business:** Business is recognising the need of satisfying its customers to achieve its target of profit maximisation. A satisfied customer not only leads to repeat sales but also induces others through the word of mouth. Thus, for long-term interest, business should look towards the consumer protection.
- (ii) **Business uses society's resources:** Several inputs of production process are provided by the society to the business. By supplying quality goods and services at a reasonable cost, business can fulfil its responsibility towards the society.
27. The features of management are as follows:
- (a) **Quote:** *"The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty home made tiffin to all office goers at the right time and place."*
Feature: Management is a goal-oriented process
 - (b) **Quote:** *"The Dabbawalas operate in a group of 25-30 people along with a group leader."*
Feature: Management is a group activity
 - (c) **Quote:** *"Owing to their tremendous popularity amongst the happy and satisfied customers and members, the Dabbawalas were invited as guest lecturer by top business schools."*
Feature: Management is an intangible force
 - (d) **Quote:** *"Recently, they have started online booking system through their website 'mydabbawala.com'."*
Feature: Management is a dynamic function

28. Mr Ram Kishore Tiwari has suggested capital budgeting decision.

The reasons why he must have advised this decision are:

- (a) These decisions have bearing on the long-term growth. They affect the future prospects of the business.
- (b) These decisions result in large portion of funds being blocked in long-term projects, these investments are planned after a detailed analysis.
- (c) These decisions affect the returns of the firm, therefore influence the overall business risk complexion of the firm.
- (d) These decisions once taken, are not reversible without incurring heavy losses. Abandoning a project after heavy investment is costly in terms of waste of funds. (any three)

29. The function of management highlighted here is Planning.

The characteristics of Planning are as follows:

(a) **Planning focuses on achieving objectives**

- Organisations are set up with a general purpose in view.
- Specific goals are set out in the plans along with the activities to be undertaken to achieve the goals.
- Thus, planning is purposeful.
- Planning has no meaning unless it contributes to the achievement of pre-determined organisational goals.

(b) **Planning is a primary function of management**

- Planning lays down the base for other functions of management.
- All other managerial functions are performed within the framework of the plans drawn.
- Thus, planning precedes other functions.
- This is also referred to as the primacy of planning.
- The various functions of management are inter-related and equally important.

However, planning provides the basis of all other functions.

(c) **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.

(or any other relevant point)

30. (a) The organisational structure adopted by Diligent Developers is Functional structure. Functional structure is an organisational design that groups similar or related jobs together.

(b) The benefits of functional structure are as follows:

- (i) It leads to occupational specialisation since emphasis is placed on specific functions. This promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance.
- (ii) It promotes control and coordination within a department because of similarity in the tasks being performed. *(or any other relevant point)*

The limitations of functional structure are as follows:

- (i) A functional structure places less emphasis on overall enterprise objectives than the objectives pursued by a functional head. Such practices may lead to functional empires wherein the importance of a particular function may be overemphasised. Pursuing departmental interests at the cost of organisational interests can also hinder the interaction between two or more departments.
- (ii) It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments. *(or any other relevant point)*

31. The element of marketing mix which is not highlighted in the given case that affects the revenue and profits of a firm and is known as the 'Price' of the product. It refers to the money paid by the customers to obtain that particular product.

The factors that affect the determination of price of a product or a service are:

(a) Cost of product

- The cost of a product comprises the cost involved in production, distribution and sale of that product.
- The cost sets the minimum level or floor price for a product.
- It can be classified into three broad categories that are defined as follows:

Fixed costs:

- These costs are fixed.
- They have no relation to the level of activity or production of the company.
- Even if there is no production of goods these costs will occur.
- For example, the rent of the factory is a fixed cost.

Variable costs:

- These are the costs that vary in direct proportion to the production levels of an entity.
- Higher the production, higher the cost and vice-versa. The raw material is a classic example of a variable cost.

Semi-variable costs:

- These costs also vary with the production levels.
- But they are not directly proportional.
- For example, the salary of a manager is ₹ 10,000 per month fixed and then 10% of his sales.
- Total cost is the sum total of fixed, variable and semi-variable cost, at a specific level of activity. Price is determined by adding a profit to the average cost of a product.

(b) Demand and utility for the product

- The upper limit of the price range will depend on the utility the product has and hence its demand in the market.
- So, the cost of the product is the seller's concern.
- The buyer's concern is the utility of the product.
- The demand for the product will depend on its utility and its price.
- Elasticity of demand refers to the proportionate change in demand due to a given proportionate change in price.
- If the demand for a product is elastic, then a firm cannot charge a higher price as a small hike in price would lead to a large fall in its demand.
- On the other hand, if demand is inelastic, then the firm has the privilege of charging a higher price, as even at a higher price, the demand would not fall much.

(c) Degree of competition in the market

- Generally, higher the competition in the market, the lower is the price that a firm can charge for its product.
- This is because in case of high competition, if a firm attempts to charge a higher price, then it would lose its customers to its competitors.
- On the other hand, if a firm faces very little competition for its products, then it has the freedom to charge a higher price.

(d) Government regulations

- At times, the government intervenes in the process of determination of price. This is usually done in order to protect the interest of the public at large.

- For instance, in case of essential commodities, the government can declare a maximum price that can be charged.
- Herein, the market forces do not play a role as the price deciding factor lies in the hands of the government.

(e) **Marketing methods used**

- The methods of marketing used by the firm also affect the determination of price.
- These methods include distribution, advertisement, customer services, branding, etc.
- For example, if the firm uses intense advertising for promotion of the product, then it would charge a higher price.
- Similarly, if the firm incurs high cost on activities such as attractive branding or distribution techniques, then also it would charge a higher price.

32. (A) (i) **Standardisation and Simplification of work:** Standardisation refers to the process of setting standards for every business activity. They are the benchmarks, which must be adhered to during production and can be set by adopting the work study techniques. Its objectives are:

- To reduce a given line or product to fixed types, sizes and characteristics.
- To establish interchange ability of manufactured parts and products.
- To establish standards of excellence and quality in materials.
- To establish standards of performance of men and machines.

Simplification aims at eliminating superfluous varieties, sizes and dimensions. While standardisation implies devising new varieties instead of the existing ones, simplification aims at eliminating unnecessary diversity of products. It results in savings of cost of labour, machines and tools. It implies reduced inventories, fuller utilisation of equipment and increasing turnover.

(ii) **Differential Piece Wage System.** To differentiate between efficient and inefficient workers, Taylor introduced different rate of wage payment for those who performed above standard and for those who performed below standard. The standard output can be decided on the basis of work study. Those who achieve the standard will be paid at a higher rate and those who could not will be paid at a lower rate. For example, it is determined that standard output per worker per day is 10 units and those who made standard or more than standard will get ₹ 50 per unit and those below will get ₹ 40 per unit. Now an efficient worker making 11 units will get $11 \times 50 = ₹ 550$ per day whereas a worker who makes 9 units will get $9 \times 40 = ₹ 360$ per day. According to Taylor, the difference of ₹ 190 should be enough for the inefficient worker to be motivated to perform better.

Or

(B) (i) **Unity of Direction:** All the units of an organisation should be moving towards the same objectives through coordinated and focussed efforts. Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.

(ii) **Stability of Personnel:** According to Fayol employee turnover should be minimised. Personnel should be selected and appointed after rigorous procedure. But once selected they should be kept at their position for a minimum fixed tenure. They should be given reasonable time to show results. If there is no job security among employees, they would tend to leave the organisation adding to the cost of further recruitment, selection and training.

(iii) **Order:** The principle states 'A place for everything (everyone) and everything (everyone) in its (her/his) place'. Essentially it means orderliness. If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business. This will lead to increased productivity and efficiency.

33. The two types of capital market highlighted in the given paragraph are primary market and secondary market.

Basis	Primary Market	Secondary Market
(a) Securities traded	There is sale of securities by new companies.	There is trading of existing shares only.
(b) Issued by	Securities are sold by the company to the investors directly.	Ownership of existing securities is exchanged between investors. The company is not allowed at all.
(c) Capital formation	The flow of funds is from savers to investors, <i>i.e.</i> , primary market directly promotes capital formation.	Enhances encashability of shares, <i>i.e.</i> , secondary market indirectly promotes capital formation.
(d) Buying and Selling	Only buying of securities takes place in the primary market.	Both buying and selling of securities can take place on the stock exchange.
(e) Price determination	Prices are determined and decided by the management of the company.	Prices are determined by the demand and supply for the security.
(f) Geographical location	There is no fixed geographical location.	It is located at specified places.

(any five)

34. The function of management highlighted here is Staffing. Proper staffing ensures the following benefits to the organisation:

- (a) **Filling job with competent personnel:** Staffing involves with proper arrangement of persons through proper recruitment and selection process. It helps with obtaining competent staff for various jobs.
- (b) **Better performance:** The performance of an organisation depends on the quality of persons employed in the organisation. The function of staffing is significant because it ensures higher performance by putting the right person in the right job at the right time.
- (c) **Survival and growth:** Staffing is a very important function of management in comparison to other functions because all the functions of an organisation are performed by the people. Competent and efficient workers bring an organisation into existence and ensure its survival and growth.
- (d) **Optimum utilisation of human resources:** The staffing process helps to ensure optimum use of human resources by avoiding overstaffing. It prevents the underutilisation of personnel and higher labour cost. It also helps in avoiding disruption of work by indicating in advance the shortage of personnel.
- (e) **Improve job satisfaction and morale:** Proper staffing improves job satisfaction and morale of employees through objective assessment and fair rewarding for their contribution. It provides right kind of work atmosphere and culture to employees.

(any four)