

Answers to RBS/Set 2

1. (a) It does not help in building customer's loyalty and in promoting its sale.
2. (d) Uncertainty
3. (c) Respecting the environment
4. (b) 1, 3, 5
5. (d) All of the above
6. (c) Statement I is true and Statement II is false
7. (c) Induction training
8. (b) Production concept
9. (b) (ii), (i), (iii)
10. (b) Dematerialisation of securities
11. (c) A – (ii), B – (iii), C – (iv), D – (i)
12. (b) Legal dimension
13. (a) Internet connectivity is a prerequisite
14. (b) Social
15. (c) Sales Promotion
16. (a) Both the statements are true
17. (c) It is both forward looking and backward looking.
18. (b) Esprit De Corps; Initiative
19. (d) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
20. (b) More than ₹ 50 lakhs but less than ₹ 2 crores
21. The importance of Decentralisation is as follows:
 - (a) **Quote:** *"Response does not take time".*

Quick decision-making: In a decentralized organisation, since decisions are taken at levels which are nearest to the point of action and there is no requirement for approvals from many levels, the process is much faster.
 - (b) **Quote:** *"Who can get a chance to prove their abilities".*

Develops managerial talent for the future: Decentralization gives managers a chance to prove their abilities and creates a reservoir of qualified manpower that can be considered to fill up more challenging positions through promotion.
 - (c) **Quote:** *"Identifying those executives who have the necessary potential to become dynamic leaders".*

Develops initiative among subordinates: Decentralization helps to promote self-reliance and confidence amongst the subordinates. It also keeps them in a state wherein they are constantly challenged and have to develop solutions for the various problems they encounter.
 - (d) **Quote:** *"This makes it possible to evaluate performance at each level and each department can be individually held accountable for their results."*

Better control: Feedback from levels helps to analyze variances and improve operations.

(any three)

22. (A) **Critical Point Control:** It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should therefore focus on key result areas which are critical to the success of an organisation. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organisation suffers.

For instance, in a manufacturing organisation, an increase of 5% in the labour cost may be more troublesome than a 15% increase in postal charges.

Or

- (B) **Management by Exception:** Management by exception, which is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of the management.

For instance, if the plans lay down 2% increase in labour cost as an acceptable range of deviation in a manufacturing organisation, only an increase in labour cost beyond 2% should be brought to the notice of the management. However, in case of major deviation from the standard (say 5%), the matter has to receive immediate action of management on a priority basis.

23. (a) The nature of management highlighted in the given case 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.
- (b) The two other aspects of nature of management are:
- (i) **Management as a Science**
- Science is a systematised body of knowledge that explains certain general truths or the operation of general laws.
 - It contains principles and facts which explain a phenomenon.
- (ii) **Management as a Profession**
- A profession can be defined as an occupation backed by special knowledge and training, in which entry is restricted.

24. (A) The given statement is true as delegation helps a manager to extend his area of operation as without it his activities would be restricted to only what he himself can do. However, delegation does not mean abdication; the manager shall still be accountable for the assigned task. He can not give excuse that as he had delegated the authority, therefore he is not responsible for the act.

Or

- (B) According to the principle of absoluteness of accountability, authority can be delegated but responsibility cannot be delegated by a manager. The manager remains responsible or accountable to his own superior for the tasks which he may assign to his subordinates. In other words, the manager cannot escape from responsibility for any default on the part of his subordinates. The process of delegation does not relieve the manager of his own responsibility and accountability. Every superior is responsible for the acts of his subordinates to whom he delegates authority for any work.

25. Earnings per share = ₹ 35

$$\text{EPS} = \frac{\text{Earning after Tax}}{\text{No. of Equity Shares}}$$

$$35 = \frac{\text{Earning after Tax}}{70,000}$$

$$\text{Earning after Tax} = ₹ 24,50,000$$

$$\text{Interest} = 50,00,000 \times \frac{7}{100} = ₹ 3,50,000$$

Let the Earning before Tax (EBT) = x

$$\text{EBT} - \text{Tax} = \text{EAT}$$

$$x - 0.30x = 24,50,000$$

$$0.70x = 24,50,000$$

$$x = \frac{24,50,000}{0.70}$$

$$x = 35,00,000$$

Earning before Tax = ₹ 35,00,000

$$\text{EBIT} = \text{Earning before tax} + \text{Interest}$$

$$= 35,00,000 + 3,50,000 = ₹ 38,50,000$$

$$\text{ROI} = \frac{\text{EBIT}}{\text{Total Investment}} \times 100$$

$$= \frac{38,50,000}{1,20,00,000} \times 100 = 32.08\%$$

As ROI (32.08%) > Rate of interest (7%), the company can choose to use trading on equity to increase its EPS. The finance manager was justified in making this recommendation.

26. The objective of Securities and Exchange Board of India (SEBI) reflected here is to protect the interest of investors. SEBI aims to safeguard the rights and interests of investors in the securities market by ensuring they are not misled or exploited. By making it compulsory for companies to disclose all material facts about the securities being issued — such as risks involved, financial position of the company, terms of the issue, and other relevant details — SEBI ensures transparency in the market. When investors have access to accurate, complete, and timely information, they can evaluate the risks and returns properly, compare different investment options, and make informed decisions. This builds trust in the securities market and prevents unfair trade practices that could harm investors.
27. (A) (i) **Marketing Planning:** An important area of work of a marketer is to develop appropriate marketing plans so that objectives of the organisation can be achieved. Appropriate marketing plans includes the plan for increasing the level of production, promotion of the products, etc. and specifying the action programmes to achieve these objectives.
- (ii) **Branding:** Branding is the process of giving a name or sign or a symbol to a product which helps in identifying and distinguishing it from the competitor's products. The important decision areas in respect of branding include deciding the branding strategy, say whether each product will be given a separate brand name or the same brand name will be extended to all products of the company.

Or

- (B) (i) **Advertising:** It is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote some goods or services. The most common modes of advertising are 'newspapers', 'magazines', 'television', and 'radio'.
- (ii) **Public Relations:** Public relations involve a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public. They are especially useful when there is negative publicity about the company or its products.
28. (a) The organisation offered the financial incentives. The different types of financial incentives offered are as follows:
- (i) **Pay and Allowances:** 'From time to time, an organisation provided the employees with a hike in their salary and the different allowances.'
- (ii) **Perquisites:** 'It also offered the top and middle level managers with some facilities like housing and medical'.

- (b) They still need to offer some Non-Financial Incentives. These are as follows:
 - (i) **Job Security:** ‘The employees were fired from the job for even petty reasons.’
 - (ii) **Organisational Climate:** ‘Also they were not given sufficient opportunities to interact with each other’.
 - (iii) **Employee Participation:** ‘The top level management did not entertain any suggestions from the employees.’ (any two)

29. Following factors can be used by Suchika to explain the reasons for lower working capital:

- (a) **Nature of business:** DLF Ltd. is a service industry which is mainly involved in transport and warehousing so that they do not have to maintain inventories due to which its working capital requirements are very less.
- (b) **Scale of operations:** DLF Ltd. is operating at a small scale at the district level which reduces its cash requirement and other current assets and, hence, it requires a lesser working capital.
- (c) **Credit allowed:** DLF Ltd. must be working on cash basis and allows credit to certain customers that too for a very small time period due to which its current assets, in the form of debtors, is very less thereby reducing the working capital requirement for the company.
- (d) **Credit availed:** DLF Ltd. must be availing a good credit from its suppliers for a good time period which increases its level of current liabilities in the form of creditors and, hence, it requires lesser working capital.
- (e) **Production cycle:** Production cycle is the time span between the receipt of raw materials and their conversion into finished goods. As, DLF Ltd. is a service industry, its production cycle is very small. Lesser money is blocked in the productive activities and hence it requires lesser working capital.
- (f) **Availability of raw materials:** The main raw material used by DLF Ltd. is diesel and petrol which is easily available in the market and, hence, it does not have to maintain stock of raw materials due to which its working capital requirements are less. (any four)

30. (A) The four semantic barriers to communication are:

- (a) Sometimes intended meaning may not be conveyed by a manager to his subordinates due to badly expressed messages which may be on account of inadequate vocabulary, usage of wrong words, omission of needed words, etc.
- (b) A word may have different meanings and the receiver has to perceive one such meaning for the word used by the communicator.
- (c) If the translator is not proficient with both the languages, mistakes may creep in causing different meanings to communication.
- (d) Some communications may have certain assumptions which are subject to different interpretations.
- (e) It is usually found that specialists use technical jargon while explaining to persons who are not specialists in the concerned field and therefore they may not understand the actual meaning of many words.
- (f) If there is no match between what is said and what is expressed in body movements, communications may be wrongly perceived. (any four)

Or

(B) The four organisational barriers to communication are:

- (a) If organisational policy either explicit or implicit is not supportive to free flow of communication it may hamper effectiveness of communication.
- (b) Rigid rules and regulations, cumbersome procedures may be a hurdle to communication, as communication through prescribed channels may result in delays.

- (c) Status of superior may create psychological distance between him and his subordinates.
- (d) Complexity in the organisation caused by the number of managerial levels may delay and distort the communication as the number of filtering points is more.
- (e) If facilities like frequent meetings, suggestion box, and complaint box, social and cultural gathering, transparency in operations, etc, for smooth, clear and timely communications are not provided, communications may be hampered. *(any four)*
31. (a) The consumer right violated in the given case is Right to be Informed. This right states that consumers should be provided with complete information about the product, such as MRP, weight, date of manufacture, expiry date, ingredients, etc., so that they can make informed choices. In this case, the MRP was missing, which is a violation.
- (b) The consumer right exercised by Mr. Akshay is Right to Seek Redressal. This right allows consumers to file complaints against unfair trade practices, defective goods, or deficiency in services, and to claim compensation for the harm suffered. Mr. Akshay exercised this right by filing a case in the District Commission and was awarded ₹ 10,000 compensation.
32. (a) Staffing
- (b) The next steps to be followed in the process of Staffing are:
- (i) **Recruitment**
- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.
 - The essential objective is to create a pool of the prospective job candidates.
 - It is positive in nature as all applications are accepted, no application is rejected.
 - There are two sources of recruitment – Internal and External.
- (ii) **Selection**
- Selection is the process of choosing from among the pool of the prospective job candidates developed at the stage of recruitment.
 - The selection process serves two important purposes:
 - it ensures that the organisation gets the best among the available,
 - it enhances the self-esteem and prestige of those selected and conveys to them the seriousness with which the things are done in the organisation.
 - Selection is negative in nature as rejection takes place.
- (iii) **Placement and Orientation**
- Orientation means to give the selected candidate a brief presentation about the company and is introduced to his superiors, subordinates and the colleagues, familiarising him with the rules and policies of the organisation.
 - It marks the beginning of socialisation of the candidate at the workplace.
 - It makes him comfortable, easy to adjust in new environment, gives confidence.
 - Placement refers to the employee occupying the position or post for which the person has been selected.
- (iv) **Training and Development**
- Training**
- Training is any process by which the aptitudes, attitudes, skills and abilities of employees to perform specific jobs are increased.
 - It is a process of learning new skills and application of knowledge.
 - It attempts to improve their performance on the current job or prepare them for any intended job.

Development

- Development refers to the learning opportunities designed to help employees grow.
- It covers not only those activities which improve job performance but also those which bring about growth of the personality, help individuals in the progress towards maturity and actualisation of their potential capacities so that they become not only good employees but better men and women.

(v) Performance appraisal

- Every organisation has some pre-determined standards on the basis of which employees are evaluated on current or past performance.
- So performance appraisal includes defining the job, appraising the performance, and providing feedback.

33. (A) The steps in the process of planning to be followed by a manager before performing the step of evaluation of alternatives are:

- (a) **Setting objectives:** The first and foremost step is setting objectives. Every organisation must have certain objectives. Objectives may be set for the entire organisation and each department or unit within the organisation. Objectives or goals specify what the organisation wants to achieve. It could mean an increase in sales by 20% which could be the objective of the entire organisation. How all departments would contribute to the organisational goals is the plan that is to be drawn up. Objectives should be stated clearly for all departments, units and employees. They give direction to all departments. Departments/units then need to set their own objectives within the broad framework of the organisation's philosophy. Objectives have to percolate down to each unit and employees at all levels. At the same time, managers must contribute ideas and participate in the objective setting process. They must also understand how their actions contribute to achieving objectives. If the end result is clear, it becomes easier to work towards the goal.
- (b) **Developing premises:** Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. Assumptions are the base material upon which plans are to be drawn. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and use the same assumptions. For example, forecasting is important in developing premises as it is a technique of gathering information. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.
- (c) **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organisation.

Or

(B) The next three steps are:

- (a) **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action

which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organisation.

- (b) **Evaluating alternative courses:** The next step is to weigh the pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. In financial plans, for example, the risk return trade-off is very common. The more risky the investment, the higher the returns it is likely to give. To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken. Accurate forecasts in conditions of certainty/uncertainty then become vital assumptions for these proposals. Alternatives are evaluated in the light of their feasibility and consequences.
- (c) **Selecting an alternative:** This is the real point of decision-making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis. In such cases, subjectivity and the manager's experience, judgment and at times, intuition play an important part in selecting the most viable alternative. Sometimes, a combination of plans may be selected instead of one best course. The manager will have to apply permutations and combinations and select the best possible course of action.

34. The scientific principles of management highlighted here is:

- (a) **Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity:** Taylor believed that each person should be scientifically selected. Then work assigned should suit her/his physical, mental and intellectual capabilities. To increase efficiency, they should be given the required training.
- (b) **Science not Rule of Thumb:** Taylor believed that there was only one best method to maximise efficiency which should be developed through study and analysis. The method so developed should substitute 'Rule of Thumb' throughout the organisation. This results in tremendous saving of human energy as well as wastage of time and material. (any one)

The techniques of scientific management highlighted here is:

- (a) **Method Study:** The objective of method study is to find out one best way of doing the job. The objective of the whole exercise is to minimise the cost of production and maximise the quality and satisfaction of the customer. For this purpose many techniques like process charts and operations research etc. are used.
- (b) **Standardisation and Simplification–(Standardisation):** Standardisation refers to the process of setting standards for every business activity. It can be standardisation of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production.