

Answers to RBS/Set 3

1. (b) 1, 2, 4
 2. (b) Financial planning
 3. (a) It is a personal form of communication.
 4. (a) Both the statements are true
 5. (b) It curbs the marketability of the securities.
 6. (d) Measurement of actual performance
 7. (a) A – (ii), B – (iv), C – (iii), D – (i)
 8. (a) Product design and development
 9. (d) Both (a) and (c)
 10. (c) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 11. (b) Recruitment, Selection, Placement, Training
 12. (a) effective; inefficient
 13. (b) Departmentalisation
 14. (d) (ii), (iii), (iv), (i)
 15. (c) Strategy
 16. (a) Both the statements are true
 17. (d) Any of the above
 18. (a) Discipline
 19. (c) Autocratic style of leadership
 20. (c) Dividend decision
 21. Critical Point Control is the technique referred by Master Chef. It is one of the techniques of control used for analyzing the deviations in an organization. Since it is neither economical nor easy to keep a check on each and every activity, so control should, focus on key result areas (KRAs) which are critical to the success of an organisation. If anything goes wrong at the critical points, the entire organisation suffers. For instance, in making chocolate bars, roasting and wrapping the bars are the Critical points where control needs to be exercised, otherwise all their efforts and resources will go waste.
 22. (A) (i) **Standardisation and Simplification of Work:** Standardisation refers to the process of setting standards for every business activity. Standardisation can be of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks which must be adhered to. Simplification refers to eliminating superfluous varieties, sizes and dimensions, thus eliminating unnecessary diversity of products.
(ii) **Differential Piece Wage System:** Differential piece wage system is a technique which differentiate between efficient and inefficient workers. It rewards the efficient workers and motivates the inefficient ones to improve their efficiency. In this plan, there is different rate of wage payment for those who performed above standard and for those who perform below standard in order to reward the efficient workers.
- Or**
- (B) (i) **Unity of Command:** The principle of unity of command states that each employee in an organisation should receive orders from and be responsible to only one superior. There should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated.

- (ii) **Equity:** There should be no discrimination against anyone on account of gender, religion, language, caste, belief or nationality. This principle emphasises kindness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion.
23. (a) The features of Planning highlighted in the given case are:
- (i) **Planning is a mental exercise**
Quote: *“For this he involves foresight and intelligent imagination.”*
- (ii) **Planning involves decision-making**
Quote: *“He always makes alternative plans and selects the best out of them after considering relevant aspects.”*
- (b) The limitations of Planning highlighted in the given case are:
- (i) **Planning is a time consuming process**
Quote: *“He knows that sometimes his concern for making very good plans eats a lot time and energy.”*
- (ii) **Planning does not guarantee success**
Quote: *“Even after so much painstaking Pradeep got to know that his plans can yet fail in the uncertain business environment.”* (any one)
24. (A) The importance of Directing function of management is as follows:
- (a) **Directing helps to initiate action:** Directing helps to initiate action by people in the organisation towards attainment of desired objectives.
- (b) **Directing integrates employees’ efforts:** Directing 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.
- (c) **Directing guides employees to fully realise their potential:** Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership.
- (d) **Directing facilitates introduction of needed changes in the organisation:** Effective directing through motivation, communication and leadership helps to reduce such resistance.
- (e) **Effective directing helps to bring stability:** Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments. (any three)

Or

- (B) The step in the process of Staffing function of management highlighted here is **estimating the manpower requirements**.
- While designing the organisational structure, various job positions are created.
 - It is important to translate the manpower requirements into specific job description and the desirable profile of its occupant — the desired qualifications, experience, personality characteristics and so on.
 - This information becomes the base for looking for potential employees.
 - In manpower requirements it is decided how many persons are needed and what type such as women, persons from backward communities and persons with special abilities (such as physically challenged, visually and hearing impaired) to assume responsible positions in organisations.
 - Manpower requirements involve two kind of analysis:
 - Workload analysis would enable an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives.

- Workforce analysis would reveal the number and type available.
 - It reveals whether organisations are understaffed, overstaffed or optimally staffed.
 - A situation of overstaffing somewhere would necessitate employee removal or transfer elsewhere.
 - A situation of understaffing would necessitate the starting of the recruitment process.
 - The aim is to have right number right kind of people in the right place at the right time.
25. (A) The functions of Stock Exchange are:
- (a) **Providing liquidity and marketability to existing securities**
 - The basic function of a stock exchange is the creation of a continuous market where securities are bought and sold.
 - It gives investors the chance to disinvest and reinvest.
 - This provides both liquidity and easy marketability to already existing securities in the market.
 - (b) **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.
 - (c) **Safety of transaction**
 - The membership of a stock exchange is well regulated and its dealings are well defined according to the existing legal framework.
 - This ensures that the investing public gets a safe and fair deal in the market.
 - (d) **Providing scope for speculation**
 - The stock exchange provides sufficient scope within the provisions of law for speculative activity in a restricted and controlled manner.
 - It is generally accepted that a certain degree of healthy speculation is necessary to ensure liquidity and price continuity in the stock market.

(or any other valid point)

Or

- (B) The first four steps in screen-based trading of securities are:
- (a) An investor has to first **approach a registered broker** and enters into agreement. He has to open a broker-client agreement and a client registration form before placing the order. He has to provide few details like PAN number, date of birth and address, educational qualification and occupation, residential status, bank account details, depository account details, name of any other broker with whom registered client code number in the client registration form. The broker opens a trading account in the name of investor.
 - (b) The investor has to **open a demat account or beneficial owner account** with a depository participant for holding and transferring securities in the demat form.
 - (c) The investor **places an order** with the broker to buy or sell shares. Clear instructions have to be given about the number of shares and price at which shares can be bought or sold. The broker will go ahead with the deal to mention the best price available. Order confirmation slip is issued to the investor by the broker.
 - (d) Broker goes online and connects with the stock exchange for matching share and the prices which are available for the share.

26. (a) Technological Environment
- (b) **It helps in tapping useful resources:** 'A reputed company that wanted to use one such tool checked the market and found the Applications such as StaffCop, Teramind, Hubstaff and TimeDoctor.'
- (c) The features of Business Environment are:
- (i) **Relativity:** Business environment is a relative concept since it differs from country to country and even region to region. While the impact of the changes may be felt across regions but the extent of change may vary due to difference in political environment, cultural differences, etc.
- (ii) **Uncertainty:** Business environment is highly uncertain as it is very difficult to predict future happenings, especially when environment changes are taking place too frequently. One cannot predict these changes with accuracy.
27. (A) Pricing objectives are an important factor affecting the price of a product or a service. Generally the objective is to maximise the profits. If the firm wants to maximise profits in the short run, it would charge high price for its products. But if it wants to maximise its total profit in the long run, it would opt for a lower price. Apart from this other objectives may be:
- (a) **Obtaining Market Share Leadership:** If a firm's objective is to obtain larger share of the market, it will charge low price so that greater number of people purchase the products.
- (b) **Surviving in a Competitive Market:** If there is intense competition in the market which is making the survival of the firm difficult, it will charge less price to stay in the market.
- (c) **Attaining Product Quality Leadership:** In this case, normally higher prices are charged to cover high quality and high cost of research and development.

Or

- (B) The act indicated here is Packaging. The different levels of packaging are:
- (a) **Primary packaging:** Product's immediate container is known as primary packaging like in case of a match sticks, match box is the primary packaging.
- (b) **Secondary packaging:** Additional layers of protection that are kept till the product is ready for use, e.g., antiseptic tube or Boro Plus Cream comes in a cardboard box.
- (c) **Transportation packaging:** Packaging necessary for storage or transportation, e.g., corrugated boxes containing toothpastes tube in 50, 100 or 200 units.
28. (a) Marketing
- (b) The features of marketing are:
- (i) **Needs and wants**
- Marketing is a social process that seeks to satisfy the needs and wants of individuals and organisations.
 - Needs are basic to human beings like food, clothing and shelter and do not relate to a particular product.
 - Whereas wants are culturally defined as human needs which are shaped by multiple factors like personality, religion, culture etc.
 - Needs are limited whereas wants are unlimited.
 - Therefore, the success of marketing lies in the competence of the marketer in identifying the needs of target customers and developing products to satisfy such needs effectively.

(ii) Creating a market offering

- The complete offer for a product or service possessing certain specific features like size, quality, colour etc. is known as a market offering.
- Thus, the success of the marketers lies in their proficiency to create a market offering in accordance with the needs and wants of the target market.
- For example, a pack of 100 ml of mango juice is available for ₹ 20.

(iii) Customer value

- The process of marketing facilitates exchange of products and services between the buyers and the sellers.
- The buyers, however, make buying decisions on their perceptions of the value of the product or service in satisfying their need, in relation to its cost.
- A product will be purchased only if it is perceived to be giving greatest benefit or value for the money.
- The job of a marketer, therefore, is to add to the value of the product so that the customers prefer it in relation to the competing products and decide to purchase it.

(iv) Exchange mechanism

- The process of marketing works through the exchange mechanism, which involves exchange of products and services for money or something considered valuable by the people.
- Exchange refers to the process through which two or more parties come together to obtain the desired product or service from someone, offering the same by giving something in return.
- For example, a person feeling hungry may get food by offering to give money or some other product or service in return to someone who is willing to accept the same for food.
- In the modern world, goods are produced at different places and are distributed over a wide geographical area through various middlemen, involving exchanges at different levels of distribution.
- Exchange is, therefore, referred to as the essence of marketing. *(any three)*

29. The reliefs that can be issued to the opposite party when the consumer court is satisfied about the genuineness of the complaint are:

- (a) To remove the defect in goods or deficiency in service
- (b) To replace the defective product with a new one, free from any defect
- (c) To refund the price paid for the product, or the charges paid for the service
- (d) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party
- (e) To pay punitive damages in appropriate circumstances
- (f) To discontinue the unfair/restrictive trade practice and not to repeat it in the future
- (g) Not to offer hazardous goods for sale
- (h) To withdraw the hazardous goods from sale
- (i) To cease manufacture of hazardous goods and to desist from offering hazardous services
- (j) To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner
- (k) To issue corrective advertisement to neutralise the effect of a misleading advertisement
- (l) To pay adequate costs to the appropriate party *(any four)*

30. (a) The internal/external sources of recruitment are used by 'Angel Enterprises Ltd.' to fill up the above-stated vacancies are:
- (i) **Promotion:** It is an internal source of recruitment in which an employee is shifted to a higher post. Pooja's vacancy was filled by using this source.
 - (ii) **Placement agencies and management consultants:** It is an external source of recruitment. These agencies provide nationwide services in matching personnel demand and supply. The vacancy of Sachin was filled by using this source.
 - (iii) **Casual callers:** It is again an external source of recruitment through which the organisation keeps a database of unsolicited applicants in their files. Vipul's vacancy was filled by using this source.
- (b) The merits of above-mentioned sources of recruitment are:
- (i) **Promotion**
 - It helps in increasing the motivation and satisfaction of employees as their status and salary are enhanced.
 - It has a great psychological impact over the employees because a promotion at a higher level may lead to a chain of promotions at lower levels in the organisation.
 - (ii) **Placement agencies and management consultants**
 - They help organisations to recruit technical, professional and managerial personnel easily.
 - They establish a balance between the demand and supply of the employees.
 - (iii) **Casual callers**
 - It is an inexpensive method of recruitment.
 - It saves time. (any one)
31. The factors affecting the fixed capital requirement of 'Sankalp Builders' are:
- (a) **Nature of Business:** A trading concern needs a lower investment in fixed assets as compared to a manufacturing concern since it doesn't require to purchase plant and machinery.
 - (b) **Scale of Operations:** A larger organisation operating at a higher scale needs bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organisation.
 - (c) **Technology Upgradation:** In industries where assets become obsolete sooner, higher investment in fixed assets would be required.
 - (d) **Financing Alternatives:** Availability of leasing facilities, may reduce the funds required to be invested in fixed assets, thereby reducing the fixed capital requirements. (or any other relevant point)
32. (A) Success of an organisation largely depends upon its management, because:
- (a) **Management helps in achieving group goals:** Management is essential for achieving the goals of the organisation. The task of a manager is to give a common direction to the individuals' efforts in achieving the overall goals of the organisation.
 - (b) **Management increases efficiency:** The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of the organisation.
 - (c) **Management creates a dynamic organisation:** All organisations have to function in an environment which is constantly changing. Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge.
 - (d) **Management helps in achieving personal objectives:** A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objectives.

- (e) **Management helps in the development of society:** Management helps in the development of the organisation and through that it helps in the development of society. It helps to:
- Provide good quality products and services.
 - Create employment opportunities.
 - Increase the standard of living of the people. (any four)

Or

(B) The various objectives of management are:

(a) **Organisational objectives**

- Management is responsible for setting and achieving objectives for the organisation.
- The main objective of any organisation should be to utilise human and material resources to the maximum possible advantage.
- It aims at maximum result with minimum resources.

The economic objectives of a business include survival, profit and growth.

(i) **Survival**

- Management must strive to ensure the survival of the organisation.
- In order to survive, an organisation must earn enough revenues to cover costs.

(ii) **Profit**

- Management has to ensure that the organisation makes a profit.
- Profit is essential to cover cost and risk of the business.
- Profit provides a vital incentive for the continued successful operation of the enterprise.

(iii) **Growth**

- For long-term existence, management must exploit fully the growth potential of the organisation.
- Growth of a business can be measured in terms of sales volume, increase in the number of employees, number of products, increase in capital investment etc.

(b) **Social objectives**

- As a part of society, every organisation has a social obligation to fulfill.
- The major social objectives of organisations are:
 - Supply quality goods at reasonable prices
 - Generation of employment opportunities
 - Using environmental friendly methods of production
 - Providing basic amenities like schools

(c) **Personal objectives**

- Personal objectives are concerned with the employees of the organisation.
- Organisations are made up of people who have different personalities, backgrounds, experiences and objectives.
- They all become part of the organisation to satisfy their diverse needs.
- These vary from financial needs like higher salaries, social needs like recognition and higher level needs like personal growth and development.

The management must reconcile personal goals with organisational objectives to have harmony in the organisation.

33. (a) The organisational structure adopted by Bharat Developers is functional structure. It is an organisational design that groups similar or related jobs together based on functions of management.

(b) The advantages of functional structure are:

- (i) **Occupational Specialisation:** A functional structure leads to occupational specialisation since it promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance.

- (ii) **Coordination is established:** It promotes control and coordination within a department because of similarity in the tasks being performed.
- (iii) **Helps in increasing managerial efficiency:** It helps in increasing managerial and operational efficiency and this result in increased profit.
- (iv) **Minimizes cost:** It leads to minimum duplication of efforts which results in economies of scale and thus lowers cost.
- (v) **Ease of training:** It makes training of employees easier as the focus is only on a limited range of skills.
- (vi) **Due attention:** It ensures that different functions get due attention. (any two)

The limitations of functional structure are:

- (i) **Ignorance of organisational objective:** Each departmental head overemphasised their departmental objectives ignoring overall organisational objectives which may lead to creation of functional empires.
- (ii) **Difficulty in inter-departmental coordination:** All departmental heads work as per their own wish which leads to coordination within the department easier but it makes inter-departmental coordination difficult.
- (iii) **Conflict of interests:** A conflict of interests may arise when the interests of two or more departments are not compatible. For example, the sales department insisting on a customer friendly design may cause difficulties in production. Inter-departmental conflicts can also arise in the absence of clear separation of responsibility.
- (iv) **Inflexibility:** It may lead to inflexibility as people with same skills and knowledge base may develop a narrow perspective and thus, have difficulty in appreciating any other point of view. Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas. (any two)

34. (a) The Marketing Manager has used the concept of Decentralisation.

(b) The importance of decentralisation is as follows:

- (i) **Develops initiative among subordinates:** Decentralisation enables sharing of decisionmaking authority among all the levels of management. This promotes self-reliance and confidence amongst the subordinates. They get the freedom to take their own decisions and develop solutions for their problems.
- (ii) **Develops managerial talent:** Decentralisation gives the subordinates a chance to prove their abilities and create a reservoir of qualified manpower who can fill up more challenging positions through promotion. They gain experience by handling assignments independently.
- (iii) **Quick decision-making:** Decentralisation means pushing the decision-making powers near to the point of action. This facilitates quick decision-making. There is no requirement for approval from many levels and chances of information getting distorted are minimised as it does not have to go through long channels.
- (iv) **Relief to top management:** Decentralisation minimises the need of direct supervision because subordinates are given the freedom to act and decide within the limit set by the superior. Personal supervision is replaced by other form of control such as return on investment. This relieves the top level management from taking operational decisions and they can devote time on important policy decisions.
- (v) **Facilitates growth:** A spirit of competition grows among divisions or departments by getting autonomy. They function in a manner best suited for their departments and try to out do the other. This increases the productivity and returns which can be used for expansion purposes.