

# ANSWERS

1. (a) Promotes innovative ideas
2. (c) Reduces overlapping
3. (b) business environment
4. (c) Planning provides direction
5. (b) Right to seek redressal

- 6. (a) Planning is a primary function of management (1)
- 7. (b) State commission (1)
- 8. (c) Private placement (1)
- 9. (c) Money market (1)
- 10. (c) Communication (1)
- 11. (b) Motivators (1)
- Or (c) Ego needs (1)
- 12. (d) (ii) (i) (iii) (1)
- Or (d) None of these (1)
- 13. (b) Political (1)
- 14. (c) Economic (1)
- 15. (a) Identify opportunities (1)
- 16. (b) Identify threats (1)
- 17. (c) Dematerialisation (1)
- 18. (c) Regulatory (1)
- 19. (a) Protective (1)
- 20. (c) Money market (1)

21. (i) Mansi adopted the production concept. The focus of business activities was on production of goods as the demand for goods started picking up as the supply was low. Thus, it was believed that profit could be maximised by producing at large scale, thereby, reducing the average cost of production. (1)

(ii) (a) The main focus of production concept is on quantity of product. (1)  
 (b) Availability and affordability of product is the means and profit through volume of production is the end. (1 × 2 = 2)

22. (i) The financial manager is involved in financial planning. (1)

(ii) Following are the two essential elements of a sound financial plan  
 (a) A sound financial plan should help in facilitating the collection of optimum funds. (1)  
 (b) It should be able to tap appropriate sources at the appropriate time. Thus, it helps in fixing the most appropriate capital structure. (1 × 2 = 2)

23. Principles of management are the statements of fundamental truth that explain the relationship between variable factors. These principles serve as guidelines for decision-making of managers. Management principles are important as they provide useful insights into reality. (3)

The principles of management help the managers to increase their efficiency by increasing their knowledge and ability to understand the situations. They help the managers to learn from the past mistakes and conserve time by taking wise decisions quickly.

e.g. a manager can give his authority of taking day-to-day decisions to his/her subordinate and deal only with exceptional situations, which require his/her expertise by following the principle of delegation of authority. (3)

Or

The feature of business environment highlighted here is 'Relativity'. (1)

Business environment is said to be relative as the impact of business environment varies from company to company or even country to country. For instance, when news of lead content being in excess in one of the leading noodles brand, the sales of that brand decreased while the sale of other noodles brand increased. (2)

24. (i) (a) Physiological needs (b) Safety/Security needs  
 "Although he was a permanent employee in the organisation".  
 (ii) Social needs  
 "No one showed concern towards him".  
 (iii) Other needs are  
 (a) Esteem/Ego needs (b) Self-actualisation needs (1 × 3 = 3)

Or Apart from good physical features, required knowledge and competence, a leader requires many other qualities which are as follows

- (i) **Good Communication Skills** A leader requires good communication skills so that he can explain his ideas, guide and motivate his followers. He needs to be a good listener too.
- (ii) **Initiative** The leader does not wait for others but takes the first step and creates opportunities.
- (iii) **Motivation Skills** He should be able to influence the actions of people through proper motivation.

25. The legal environment consists of laws and regulations of the country. These laws have been implemented by the government through Companies Act, Factories Act, Competitions Act, etc. It is necessary for business enterprises to comply with these laws.

The legal environment affects the business firms in the following ways

- (i) The advertisement of alcoholic beverages is prohibited, which affects the marketing of such products.
- (ii) Products like tobacco and cigarettes are required to carry a statutory warning on their packages, 'Smoking is injurious to health'.

Or

It is related with the social objective of management. It deals with the commitment of an organisation towards society. Such objectives may relate with producing eco-friendly products, providing employment to the weaker sections of the society, etc.

By covering the costs and risks, the company has also achieved the organisational objectives.

This objective is related with three aspects

- (i) **Survival** Ensure the continuity of business operations.
- (ii) **Profit** Earn a reasonable profit, which covers the costs and risks of the business.
- (iii) **Growth** It ensures the success of business in the long-run.

26. (i) Division of work is suitable for the above mentioned case, as this principle states that the whole work is divided into small tasks and should be assigned to the persons as per their capabilities and experience. This results in timely completion of work and leads to specialisation.

(ii) When workers are performing the task as per their specialisation, this will result in increased efficiency, reduced wastages, specialisation and timely completion of work.

27. Unfair trade practices and their effect is as follows

- (i) **Adulteration** People suffer from chronic health problems due to adulteration in food products.
- (ii) **False and Misleading Advertising** People spent money by seeing advertising that are false and are cheated through spurious products.
- (iii) **Black-Marketing or Hoarding** Due to this, consumers have to pay higher prices.
- (iv) **Unsafe and Defective Products** These products are hazardous for health especially electric items such as iron which can cause fatal shock if there is fault in its manufacturing.

28. An ideal plan should be effective, simple and should make the objectives of an organisation clear.

It helps in achieving the targets, reduces the risk of uncertainty, helps in coordination and encourages innovation and creativity.

Some main characteristics are

- (i) **Clarity** The objectives and goals to be achieved should be clearly defined.
- (ii) **Practicability** The plan should be based on facts and their implementation should be possible.
- (iii) **Flexibility** A plan should be flexible, so that it can adopt the changes.

Or

Differences between delegation and decentralisation are

Basis	Delegation	Decentralisation
Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organisation by giving them more autonomy.
Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wider scope as it implies extension of delegation to the lowest level of management.

Basis	Delegation	Decentralisation
Status	It is a process followed to share tasks	It is the result of the policy decision of top management
Nature	It is a compulsory act because no individual can perform all the tasks on his own.	It is an optional policy decision. It is done at the discretion of the top management only.

(1 × 4 = 4)

"Money is not the only motivator." This statement is true in this context that an individual has certain psychological, emotional and social needs. Money cannot satisfy them.

In order to satisfy these needs, following non-financial incentives are required

- (i) **Promotion** If an individual gets promotion in the organisation, it satisfies him psychologically as he gets a feeling that his hardwork is recognised.
- (ii) **Job Security** Every individual needs stability in terms of future income, job, etc. If their job is secure, they do not feel worried and work with greater zeal.
- (iii) **Employee Participation** It means involving employees in decision-making process. This kind of programmes motivate employees and they feel that their suggestions are of worth.
- (iv) **Employee Recognition Programmes** It means acknowledgment for participation. If an employee has performed well then a certificate or momentum should be presented to him. This will motivate him to perform better in future also.

(1 × 4 = 4)

The other steps involved in the staffing process are as follows

**Step 5 Training and Development** These involve improving job knowledge, skills and attitudes of employees on a regular basis so that they may perform their jobs efficiently.

**Step 6 Performance Appraisal** It means evaluating an employee's current or past performance against the pre-determined standards.

**Step 7 Promotion and Career Planning** This step is required to address career related issues and promotional avenues for the employees. It is beneficial for both an employee and the organisation.

**Step 8 Compensation** It means all forms of pay or rewards given to an employee. It may be in the form of direct financial payments like wages, salaries, incentives, commissions, etc. or indirect payments like insurance, vacations, etc. (1 × 4 = 4)

- (i) Controlling function is performed by bank manager. This function is concerned with taking preventive actions against deviations. It is the process, through which managers assure that the actual activities conform to the planned activities. (2)

Controlling has a very wide scope. It does not end only by comparing the actual performance with planned performance, but it tries to find the reasons and solutions for such problems also. (1)

- (ii) The main objectives of controlling are
  - (a) It ensures that work is carried on as per the planned targets.
  - (b) It enables managers to find out deviations/errors, thus providing direction for the work to move on the right track.
  - (c) It helps in making efficient use of resources. (1 × 3 = 3)

(1 × 3 = 3)

Labelling is the process of putting label on the product. Generally, the producer is at liberty to choose the kind of label. But, it has been made compulsory by the government to use label for some products.

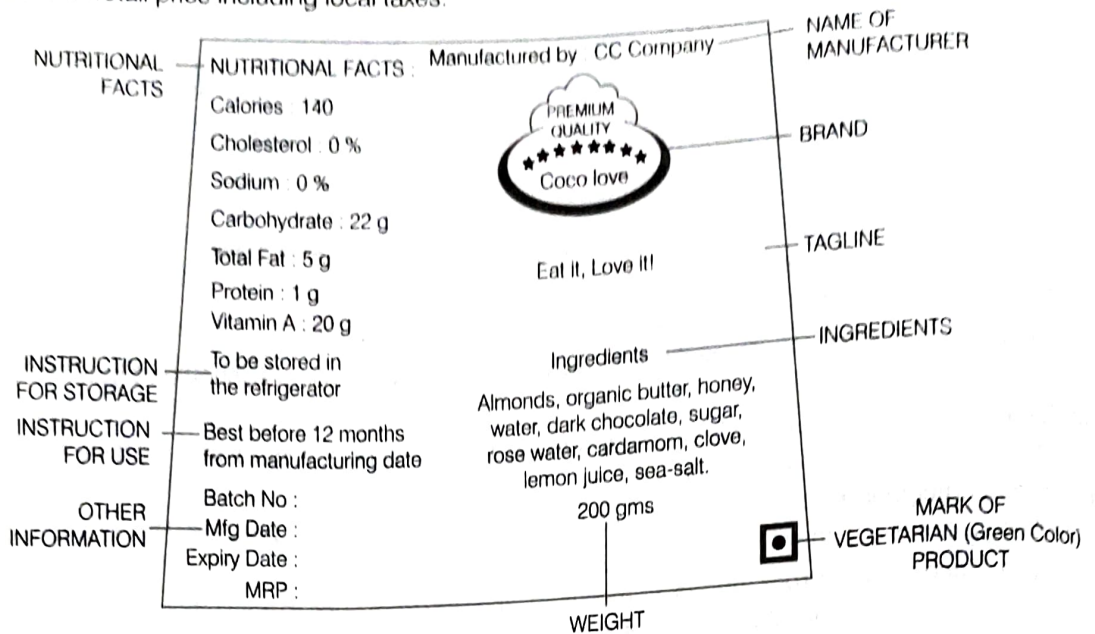
Besides this, the description of label has also been fixed. e.g. It is mandatory to use the label alongwith its stipulated information on medicines and processed food. (2)

(2)

A good label should provide the following information

- (i) Name and address of the producer/dealer.
- (ii) Weight and measurement of the product.
- (iii) Size, colour and appearance of the product.
- (iv) Raw materials used in production.
- (v) Directions for the proper use of the product and cautions against misuse.

- (vi) Date of packing and date of expiry.  
 (vii) Maximum retail price including local taxes.



33. (i) The issue of shares through prospectus is appropriate, as suggested by Sahil, as a new company cannot issue right shares because this can only be done by existing companies.
- (ii) There are various methods by which securities are issued in the primary market. They are
- Offer Through Prospectus/IPO** Under this method, a company invites public to subscribe for its shares through issue of prospectus, which makes a direct appeal to investors to invest in the company, through an advertisement in the newspapers and magazines.
  - Offer for Sale** Under this method, securities are not issued directly to the public, but are offered for sale through intermediaries like issuing houses or stock brokers.
  - Private Placement** Private placement is the allotment of securities by a company to institutional investors and some selected individuals. It is considered beneficial because it helps to raise funds more quickly than a public issue.
  - Rights Issue** This is a privilege given to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company. The shareholders are offered the right to buy new shares in proportion to the number of shares they already possess. This right is called the pre-emptive right of the existing shareholders.
  - e-IPOs** When the public issue is made through an online system of stock exchange, it is known as e-IPO i.e. electronic Initial Public Offer.

Or

Yes, it is concerned with inflow and outflow of money and taking decisions regarding procurement and utilisation of funds.

The importance of financial management are discussed below

- Sound financial plan facilitates the smooth functioning of operations in an organisation.
- Finance is required at every stage and for performing activities like distribution, promotion, production, etc. Through financial management, one can analyse the need and requirement of finance to carry out operations.
- Financial management provides complete coordination between various functional areas such as marketing, production, etc to achieve organisational goals. If financial management is defective, the efficiency of all other departments cannot be maintained.
- Financial management provides scientific analysis of all the facts and figures, through which it helps in taking decisions.
- Financial management plays a very important role in the success of the business organisation by advising the top management on the solutions to various financial problems.

Thus, we can say that financial management plays a key role in the success of business.

- (i) The function of management being performed by Mrs Leena here is organising. Organising can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of organisational objectives. According to **Henry Fayol**, "To organise a business is to provide it with everything useful to its functioning: raw materials, machines, tools, capital and personnel." (2)

(ii) **Steps of Organising**

**Step 1 Identification and Division of Work** The first step in the process of organising is to identify and divide the work into small and manageable activities so that duplication of work, resources and efforts can be avoided and the burden of work can be shared among the individuals working in the organisation.

**Step 2 Departmentalisation** After the work has been identified and divided, the next step is to group the similar or related activities (jobs) into larger units called departments or divisions. This process is called departmentalisation.

Departmentalisation facilitates specialisation and can be created on the basis stated below

- (a) Functions (purchasing, marketing, finance, etc)
- (b) Products (cosmetics, garments, baby products, etc)
- (c) Territory (East, West, North, South)

**Step 3 Assignment of Duties** After the formation of departments, the next step is to assign or allocate work to the member of each department. The work is allocated to the members on the basis of their skills, ability and competencies. The work must be assigned to those who are best fitted to perform it well.

**Step 4 Establishing Reporting Relationships** Merely allocating work is not enough. Each individual working in the organisation should also know from whom he/she has to take orders and to whom he/she is accountable. This will help in creating a hierarchical structure and help in coordination amongst various departments.

(1 × 4 = 4)

Or

Decentralisation means distribution of decision-making authority at various levels in the organisation.

According to Louis A Allen, "Decentralisation refers to the systematic effort to delegate to the lowest level, all authority except that which can be exercised at the central point." (1)

Decentralisation is important due to the following reasons

- (i) **Greater Motivation** Decentralisation improves the morale and motivation of subordinates which is reflected in better work performance.
- (ii) **Develops Initiative among Subordinates** Decentralisation helps to promote self-reliance and confidence amongst the subordinates.  
This is because when lower managerial levels are given freedom to take their own decisions, they learn to depend on their own judgement. It helps to promote initiative and creativity among them.
- (iii) **Develops Managerial Talent for the Future** As a result of decentralisation, employees get more opportunities to develop new skills. It makes them better future managers.
- (iv) **Quick Decision-making** Decentralisation in an organisation, provides more freedom to lower level managers to take their own decisions. There is no need to get approval from higher level. It helps in quick and better decision-making.
- (v) **Facilitates Growth and Expansion** Decentralisation facilitates organisational growth through expansion and diversification. Top executives are not burdened by the administrative problems and complexities. So, they are able to plan expansion and diversification. (1 × 5 = 5)