

**CBSE Class 12 Business Studies**  
**Sample Paper 10 (2019-20)**

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**Maximum Marks: 80**

**Time Allowed: 3 hours**

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**General Instructions:**

- i. This question-paper contains five Sections - A, B, C, D and E.
  - ii. Section - A contains questions 1 to 20 carrying one mark each. Answers to these questions may be given in one word or a sentence.
  - iii. Section - B contains questions 21 to 25 carrying three marks each, answers to these questions may be in 50 to 75 words.
  - iv. Section - C contains questions 26 to 28 carrying four marks each. Answers to these questions may be in about 120 words.
  - v. Section - D contains questions 29 to 31 carrying five marks each. Answers to these questions may be in about 150 words.
  - vi. Section - E contains questions 32 to 34 carrying six marks each. Answers to these questions may be in about 200 words.
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**Section A**

1. Vinod Limited target production was 22,000 units in a year. Production manager was able to cut down the cost but could not achieve the target. In this case, manager is \_\_\_\_\_ but not \_\_\_\_\_
  - a. Effective but not efficient
  - b. Efficient but not effective
  - c. Efficient but not honest
  - d. None of these
2. Ishan Ltd. is a manufacturing organisation at Pune. Its plans lay down a 2% increase

in labour cost as an acceptable range of deviation. The increase in labour cost happens to be 5%. The production manager Gaurav decided to bring it to the notice of the management for corrective action. Which is the principle of controlling behind it?

3. Coordination is:
  - a. Function of management
  - b. An objective of management
  - c. The essence of management
  - d. None of the these
4. For the protection of a consumer's right, there is \_\_\_\_\_
  - a. Consumer Protection Act, 1984
  - b. Consumer Protection Act, 1986
  - c. Consumer Protection Act, 1956
  - d. Consumer Protection Act, 1932
5. A meeting of the managers of all the Managerial Levels of **Paul Limited** was held. The CEO of the company performed the role of the Chairperson of the meeting. In the meeting, there was a discussion on the issue of what percentage of Return in the following year should the company expect on its Investment made. All the Managers present in the meeting gave their respective suggestions supported by reasons. In the end, it was resolved that the company would like to get 22% return on its investment. In the meeting of the company, there was a discussion on a particular plan. Identify it.
6. Which of the following is not an element of the process of delegation?
  - a. Creation of an obligation
  - b. Granting of authority
  - c. Freedom from responsibility

d. Assignment of duties

7. Selection is done after the \_\_\_\_\_

a. Performance Appraisal

b. Training

c. Placement

d. Recruitment

8. The main objective of financial planning is to ensure that \_\_\_\_\_

a. Purchase of raw material

b. Enough funds are available at the right time

c. Dividend is paid to shareholders on the right time

d. Purchase of fixed assets

9. Controlling function of an organisation is

a. Backwards-looking

b. Forward-looking

c. Forward as well as backwards-looking

d. None of the above

10. According to which principle similar treatment should be given in similar positions?

a. Principle of equity

b. Principle of discipline

c. Principle of unity of command

d. Principle of initiative

11. Which mode of recruitment is least expensive?
  - a. Media advertising
  - b. Campus recruitment
  - c. Direct recruitment
  - d. Consultants
  
12. Which of the following is not true about planning?
  - a. Planning is a mental exercise
  - b. Planning is necessary
  - c. Planning reduces creativity
  - d. None of these
  
13. Which of the following is not a financial Decision?
  - a. Investment Decision
  - b. Financing Decision
  - c. Staffing Decision
  - d. Dividend Decision
  
14. Accrual bond are also known as \_\_\_\_\_.
  - a. Fixed interest Bonds
  - b. Flate Rate Bonds
  - c. Low-Interest Bonds
  - d. Zero-Coupon Bonds
  
15. Under Private Placement Company sell securities to some selected institutions. From the following identify such institution.
  - a. UTI
  - b. All of these

- c. LIC
- d. GIC

16. Short-term Investment Decision is also known as \_\_\_\_

- a. Dividend Decision
- b. None of these
- c. Working capital
- d. Capital Budgeting

17. Consumers can ask anything regarding date of manufacture, price, quantity etc., is an example of \_\_\_\_\_

- a. Right to be informed
- b. Right to safety
- c. Right to choose
- d. Right to be heard

18. Short term investment decisions affect the \_\_\_\_\_

- a. Purchase of fixed assets
- b. Long term profitability
- c. Day to Day working of business
- d. Large amount of funds for future

19. State true or false:

Right to be heard will enable consumers to ensure due consideration of their interest at the appropriate forum.

20. Which consumer right suggests that business firms should set up their own consumer service and grievance cell to attend consumers' complaints?

- a. Right to seek redressal

- b. Right to be informed
- c. Right to consumer education
- d. Right to be heard

21. There are two sources for recruitment and in one of them; employees are vertically shifted to a higher position. Mr. Yogesh, an employee of Pluto Ltd. has been vertically shifted from the post of assistant general manager. Now, he has comparatively greater authority, responsibilities, and salary.
- a. Identify and state the source under which employees are vertically shifted to higher positions.
  - b. Name the other source under which employees are moved horizontally.
  - c. Identify the methods of recruitment highlighted in the following statements:
    - i. Trainees work in some factory or office to acquire practical knowledge and skills along with regular studies.
    - ii. The trainee learns under the guidance of a master worker.
    - iii. Trainees learn on the equipment they will be using, but training is conducted away from the actual work floor.

**OR**

List the different types of tests used in selection process.

22. Explain briefly any three organisational barriers to communication.
23. George, a manager, does not distribute the work among his subordinates either according to capability or proportionately. Which principle of management is being overlooked and why?
24. Arvind is planning to start a company manufacturing room fresheners. He intends to use natural fruit extracts for adding fragrance to them. He estimates an investment of 20 crores to set up the factory. As it is difficult for him to raise the entire capital amount alone, he gives a partnership offer to his school friend, Sanjay who is an angel investor. Sanjay, after being convinced about the feasibility of the project, accepts his offer.

Sanjay tells Arvind that they should also focus on other important decisions related to the product 'room fresheners' besides deciding about its features, variety and quality. Branding is one of the important such decision.

In the context of above case:

- a. Name any other two important decisions related to a product.
- b. Why is branding considered as an important function by the marketers? Give any one reason in support of your answer.
- c. State any four features of a good brand name.

25. A few days back in Uttar Pradesh, an ATM of a nationalized bank in Shahjahanpur dispensed counterfeit Rs.2,000 notes. The victim Puneet Gupta, who withdrew a total of Rs.10,000, was shocked when he found that one of the five notes he withdrew was a scanned copy, but the bank refused to change it. They, in fact, even refused to acknowledge that the note came out of their ATM. His friend Avneet who is banker told him that as per the Reserve Bank directive issued in May 2012, no bank can put back into circulation currency notes (of Rs.100 and higher denominations) received by them, without first processing them for authenticity. Moreover, he suggested to him to exercise a particular right and ask the bank for evidence on the kind of steps being taken by the bank to stop fake notes entering the ATM and also the number of complaints that they have received so far from consumers about fake notes coming out of their ATMs.

In the context of the above case:

- a. Identify and explain the right of consumer that Puneet Gupta has been suggested to exercise by his friend in the above case.
- b. Also explain the Right to Choose.

26. "Zero Defect Zero Effect" (ZED) is a slogan coined by the Prime Minister of India, Narendra Modi with reference to the Make in India initiative launched by the government. The slogan reflects the efficiency of production processes, i.e. the products have no defects and the process through which the product is made has zero adverse environmental and ecological effects. The ZED model aims to make India the manufacturing hub of the world and prevent the products developed in India from being rejected by the global market. Moreover, before the initiative was launched, the

limits of foreign direct investment in various sectors had been relaxed. The application for licenses was made available online and the validity of licenses was increased to three years. Various other norms and procedures were also relaxed by the government.

In light of the above paragraph, identify and explain the major component of the New Economic Policy of 1991 that is being referred to by quoting lines from the paragraph.

27. Vishesh works as an interior designer. He gets a contract to redesign a playschool. He employs three painters on the site assuming that an average painter will be able to paint 10 desks in a day. At the end of the first day of their work, Vishesh finds that the painter A, painter B, and painter C have painted 12, 14 and 15 desks respectively. On comparing the actual performance with the planned performance, he realises that the standard set by him is too low. Consequently, he decides to review and revise the standard and raise it.

In the context of the above case:

- a. Identify the function of management being performed by Vishesh.
  - b. "Planning and controlling are both backwards-looking as well as forward-looking functions." Explain the statement with reference to the above paragraph.
28. 'Ganesh Steel Ltd' is a large and creditworthy company manufacturing steel for the Indian market. It now wants to cater to the Asian market and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost the company decides to tap the money-market.
- i. Name and explain the money market instrument the company can use for the above purpose.
  - ii. What is the duration for which the company can get funds through this instrument?

**OR**

**"Sound Financial Management is the key to the prosperity of business". Explain.**

29. i. Name and explain the principle of management in which workers should be encouraged to develop and carry out their plans for improvements in the organisation.
- ii. Name and explain the technique of scientific management which is an extension of the principle of division of work and specialisation.

**OR**

In a big steel manufacturing company, there was constant training programme running for the workers throughout the year. The workers were trained about the machines as the management realised that management is all about the relationship among workers and their proper handling of the machinery. As the size of the organisation increased, the management decided to release the hold on day-to-day activities of the organisation. A more decentralised approach was adopted where the workers could decide about the machines and the amount of raw material required instead of the traditional centralised approach. The management knows that the external environment is dynamic. In order to face intense competition, they clarified to the workers that their instructions should not be taken as a rigid statement and should be modified according to the circumstances.

Identify and explain the three nature of principles of management highlighted above by quoting the lines.

30. Diamond Public School in Bahadurgarh decides to implement the literacy program of the government in its school. It is decided that within a year the 45 support staff employees of the school will be made literate by the school counsellors and social workers. In order to enhance the learning process, the school decided to use audiovisual aids. To start the program the school has to first procure the literacy books from State Resource Centre, at Jamia. Besides the curriculum, each literacy book contains a series of nine tests that the volunteers have to get completed by the learners during the program. Moreover, by implementing the plan of 'each one teach one' each student of the school from class fifth to tenth will be encouraged to make one person literate. The student volunteers may either select a learner by adopting any one of the two ways. Either from the slum areas adopted by the school or on their own within the vicinity of their residence. As per the norms of the Delhi Government, it is mandatory for the volunteers to send back the filled copy of only the ninth test

paper in the series to the authorities as conclusive proof of the completion of the course, else the certificate of commendation will not be awarded to them. Considering the implementation of the program to be a part of its corporate social responsibility initiative the school has decided to spend around Rs. 50,000 on the distribution of free stationery items, refreshments of the learners, etc.

In the context of the above case:

- a. Identify the various types of plans being used by Diamond Public School in order to implement the literacy program in their school.
- b. Categorize the various types of plans as identified in part (a) into single-use plans and standing plans.

31. 'Abhishek Ltd' is manufacturing cotton clothes. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is the availability of enough cash in the company and good prospects for growth in the future. It is a well-managed organization and believes in quality, equal employment opportunities, and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments. It has taken a loan of Rs. 50 lakhs from ICICI Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement. The above discussion about the company leads to various factors that decided how much of the profits should be retained and how much has to be distributed by the company. Identify and explain any five such factors.
32. Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like televisions, refrigerators, and air conditioners, often leaving them in a permanently damaged condition. N-Guard Company decided to manufacture stabilizers for North India where the voltage fluctuation ranges from 220 V to 230 V. Once the demand for North India was taken care of, they decided to launch stabilizers of varying voltages from 90 V - 260 V for meeting the requirements of voltage fluctuations in other regions of India also. Three engineers were appointed for the South, West and East regions of India, as the voltage was different in all the three regions. Though all the engineers were appointed to manufacture stabilizers, the product differed from region to region.

- a. Identify the organizational structure of the N-Guard Company.
- b. State any two advantages and two limitations of the structure identified in the above para.

33. Explain the following non-financial incentives:

- i. Status
- ii. Organisation climate
- iii. Career advancement opportunities

**OR**

Explain the concept of leadership and its various styles.

34. Haryaram is a famous chain selling a large variety of products in the Indian market. Their products include chips, biscuits, sweets and squashes. It charges a comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has five of its own retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time. It regularly uses different communication tools to increase its sales.

The above paragraph describes the combination of variables used by Haryaram to prepare its market offering. Identify and explain the variables.

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**Solution**  
**Section A**

1. (b) Efficient but not effective

**Explanation:** Efficiency means doing the task correctly and with minimum cost. In the above case, Production manager was able to cut down the cost. That's why he is efficient. Effectiveness in management is concerned with doing the right task, completing activities and achieving goals or target. In the above case, Production manager could not achieve the target production of 22,000 units in a year. That's why he is effective.

2. Management by exception

3. (c) The essence of management

**Explanation:** Without this management is not working properly, hence this is the essential part of management.

4. (b) Consumer Protection Act, 1986

**Explanation:** Consumer Protection Act, 1986 seeks to protect and promote the consumer's interest through speedy and inexpensive redressal of their grievances.

5. Objective

6. (c) Freedom from responsibility

**Explanation:** Freedom from responsibility

7. (d) Recruitment

**Explanation:** selection is the process of screening and selecting the suitable candidate. selections always starts where recruitment ends.

8. (b) Enough funds are available at the right time

**Explanation:** The process of estimating the fund requirement of a business and specifying the sources of funds is called financial planning. The objective of financial planning are

- To ensure availability of funds whenever these are required

- To see that the firm does not raise resources unnecessarily

9. (c) Forward as well as backwards-looking

**Explanation:** controlling function encompasses the activity of auditing the work done by the employee and organization as a whole with the standards and goals set for the employee and organization, thus it is a forward and backwards-looking function.

10. (a) Principle of equity

**Explanation:** Principle of equity

11. (c) Direct recruitment

**Explanation:** Direct recruitment

12. (c) Planning reduces creativity

**Explanation:** Planning is an intellectual process. The planners make prediction for future by using their expertise, innovative ideas and creativity. Thus planning promotes creativity.

13. (c) Staffing Decision

**Explanation:** Financial decisions include:

- Investment decision
- Financing decision
- Dividend decision

14. (d) Zero-Coupon Bonds

**Explanation:** A zero-coupon bond, also known as an "accrual bond," is a debt security that doesn't pay interest (a coupon) but is traded at a deep discount, rendering profit at maturity when the bond is redeemed for its full face value.

15. (b) All of these

**Explanation:** A private placement is the sale of securities to a relatively small number of select investors as a way of raising capital. Investors involved in private placements are usually large banks, mutual funds, insurance companies and pension funds.

16. (c) Working capital

**Explanation:** Short term investment decisions are the decisions related with the bills receivables, inventories, levels of cash and debtors etc. These decisions are also known as working capital decisions.

17. (a) Right to be informed Explanation:

- The consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity,

directions for use, etc.

- It is because of this reason that the legal framework in India requires the manufactures to provide such information on the package and label of the product.

18. (c) Day to Day working of business

**Explanation:** Short term investment decisions are also called working capital decisions. These are concerned with the decisions about the inventories, debtors, bills receivable and level of cash etc. It affects the day to day working of the business.

19. True

20. (d) Right to be heard

**Explanation:** Right to be heard

21. a. Promotion - Promotion refers to shifting an employee from a lower job position to a higher job position. It includes higher status, responsibilities, facilities and pays. It is a vertical shifting of an employee.
- b. Transfer
- c. i. Internship training  
ii. Apprenticeship training  
iii. Vestibule training

**OR**

The different types of test used in the selection process are:

- i. Intelligence test - To check the IQ of the candidate.
- ii. Aptitude test - To check whether the candidate carries the right aptitude for the job.
- iii. Personality test - To assess the overall personality of the candidate.
- iv. Trade test - To assess the compatibility of the candidate with the nature of job.
- v. Interest test - To check whether the job to be offered suits the interest of the candidate.

22. The three organisational barriers to communication are explained as follows:

- i. **Organisational policy:** If organisational policy does not support free flow of

information, it may result in barriers, e.g. in a centralised organisation, most of the information remains at top level only. People at lower level may not be able to communicate freely in centralised organisation.

- ii. **Complex organisation:** When the information passes through various levels then it can lead to screening or filtering of information at different levels, e.g. while giving the feedback, the subordinates filter all their negative points and highlight only their positive side.
- iii. **Status:** Sometimes the people working at higher level don't believe in the information supplied by lower-level employees as they are apprehensive about their ability.

23. In this case principle of “Equity” is violated by the manager. The possible reasons can be:

- i. Management is frustrated or not satisfied with the employees that's why he is not loyal and devoted.
- ii. Manager is unskilled and inefficient.
- iii. He is fail in judging the ability and capabilities of his subordinates.
- iv. Delay in the achievement of organizational objective.
- v. Lack of respect towards superiors and work.
- vi. Lack of team spirit, that is why management has to take such decision.

24. a. Labelling and Packaging are the two important decisions related to a product. Where Labelling is the display of label in a product. A label contains information about a product on its container, packaging, or the product itself. It also has warnings in it. For e.g. in some products, it is written that the products contain traces of nuts and shouldn't be consumed by a person who's allergic to nuts. The type and extent of information that must be imparted by a label are governed by the relevant safety and shipping laws and Packaging is the wrapping of material around a consumer item that serves to contain, identify, describe, protect, display, promote and otherwise make the product marketable and keep it clean. Packaging is more than just your product's pretty face.
- b. Branding is considered to be a very important decision by the marketers because it facilitates product differentiation. Through branding, the prospective buyers are able to bring about a distinction between a company product and its substitutes

available in the market. This helps the company to obtain a desirable market share.

- c. The four features of a good brand name are stated below:
- i. The brand name should be short, easy to pronounce, spell, recognise and remember e.g., Ponds.
  - ii. A brand should suggest the product's benefits and qualities e.g. Sunsilk.
  - iii. A brand name should be distinctive e.g., Lotus.
  - iv. It should be capable of being registered and protected legally.

25. a. Puneet Gupta has been suggested to exercise Right to information by his friend in the above case.

According to the Right to Information, the 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. **Right to Choose:** Consumer should not be forced to select the product. A consumer should be convinced of the product he is about to choose and should make a decision by himself. This also means consumer should have a variety of articles to choose from. Monopolistic practices are not legal.

26. The major components of the New Economic Policy of 1991 that are being referred to are as follows:

- **Liberalization:** These economic reforms signaled the end of the license-permit-quota raj and were aimed at liberalizing the Indian business and industry from all unnecessary controls and restrictions. The lines from the given paragraph are:  
"Moreover, before the initiative was launched, the limits of foreign direct investment in various sectors had been relaxed. The application for licences was made available online and the validity of licences was increased to three years. Various other norms and procedures were also relaxed by the government."
- **Globalization:** Globalisation means the integration of the various economies of the world-leading towards the emergence of a cohesive global economy. The

lines from the given paragraph are:

"The ZED model aims to make India the manufacturing hub of the world and prevent the products developed in India from being rejected by the global market."

27. i. Controlling is the function of management being performed by Vishesh. Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.
- ii. Planning and controlling are both backwards looking as well as forward-looking: Controlling is backwards-looking because like a postmortem of past activities the manager looks back to previous year's performance to find out its deviation from standard planning is also backwards-looking because planning is guided by past experiences and feedback report of controlling function. Planning is forward-looking because plans are prepared for future. It involves looking in advance and making policy for maximum utilization of resources in future. Controlling is also forward-looking because controlling does not end only by comparing past performance with standard. It involves finding the reasons for deviations and suggests the measures so that these deviations do not occur in future. So, this statement that planning is forward-looking and controlling is backwards-looking is only partially correct as planning and controlling are both forward-looking as well as backwards-looking.
28. The money market instrument that the company can use for the above purpose is commercial paper.

**Commercial paper:** It is issued as an unsecured promissory note by large and creditworthy companies for meeting their short-term needs of funds. It is a negotiable instrument, transferable by endorsement and delivery. This instrument is generally used for 'bridge financing', i.e. a method of financing used by companies to cover the flotation costs of issuing equity shares, preference shares, etc. Commercial paper

though a short-term obligation is issued as part of a continuous rolling program, which is either a number of years long (as in Europe), or open-ended (as in the U.S.).

**OR**

“Sound Financial Management is the key to the prosperity of business”, as it ensures:

(i) Availability of adequate funds whenever required.

(ii) Procurement of funds at reasonable cost.

(iii) Efficient utilisation of funds.

29. i. **Principle of initiative** According to Fayol. 'Initiative means taking the first step with self-motivation, it is thinking out of the box and executing the plan'. It is one of the traits of an intelligent person. The initiative should be encouraged because employees get satisfaction when they are allowed to take initiative But it does not mean going against the established practices of the company for the sake of being different. The role of the employees in an organization must not be passive. They should play an active role and must lend their support to the top end leadership of the organization.
- ii. **Functional foremanship** Taylor suggested functional foremanship for better supervision of workers. Under Functional foremanship. there are specialist foremen for each job He classified specialist foremen into two departments, namely planning and production departments Both the departments have eight foremen in all

The names and functions of these foremen are as follows

a. **Planning Department**

**Route clerk** Determining the process of production and the route through which the raw materials will pass.

**Instruction card clerk** Laying down instructions according to which the workers are required to perform work.

**Time and cost clerk** Setting the timetable for doing a job as per the pre-determined route and time schedule. He specifies the material and labor cost with respect to each operation.

**Disciplinarian** Maintaining proper discipline in the factory

b. **Production Department**

**Gang boss** Arranging machines, materials, tools, workers, etc for the job.

**Speed boss** Maintaining the planned speed of production, investigating the causes of the delay and remove them. **Repair boss** Maintenance of the machines and equipment, proper arrangements for their oiling, greasing.

cleaning and repair, preventing misuse of machines, etc. **Inspectors** Seeing that the work conforms to the standard of quality laid down by the planning department.

**OR**

- i. **Mainly Behavioural:** The workers were trained.... proper handling of the machines/ Management principles are mainly behavioural in nature since they are devised to influence behaviour of human beings. Moreover, principles of management enable a better understanding of the relationship between human and physical resources in achieving organisational goals.
- ii. **Flexible:** A more decentralised approach .... instead of the traditional centralised approach/ Principles of management are flexible in nature i.e. they can be modified by the managers according to the given situation. Refinements in principles can take place. Management principles can be utilised under varied conditions in different ways. These principles are not a set of static or rigid statement.
- iii. **General Guidelines:** In order to face intense competition.... modified according to the circumstances.

The principles of management act only as guidelines for decision-making and action. However, they do not provide readymade solutions to all managerial problems. This is so because real business situations are very complex and dynamic and are a result of many factors.

30. a. The various types of plans being used by Diamond Public School in order to implement the literacy program in their school are as follows:
  - i. **Objectives:** "It is decided that within the year all the 45 support staff employees of the school will be made literate by the school counsellors and social workers."

- ii. **Strategy:** "In order to enhance the learning process the school decided to use audio-visual aids."
  - iii. **Policy:** "Moreover, by implementing the plan of 'each one teach one' each student of the school from class fifth to tenth will be encouraged to make one person literate."
  - iv. **Procedure:** "To start the program the school has to first procure the literacy books from State Resource Centre, at Jamia. Besides the curriculum, each literacy book contains a series of nine tests that the volunteers have to get completed by the learners during the program."
  - v. **Method:** "The student volunteers may either select a learner by adopting any one of the two ways. Either from the slum areas adopted by the school or on their own within the vicinity of their residence."
  - vi. **Rule:** "As per the norms of the Delhi Government, it is mandatory for the volunteers to send back the filled copy of only ninth test paper in the series to the authorities as conclusive proof of the completion of the course, else the certificate of commendation will not be awarded to them."
  - vii. **Budget:** "Considering the implementation of the program to be a part of its corporate social responsibility initiative the school has decided to spend around Rs. 50,000 on the distribution of free stationery items, refreshments of the learners, etc."
- b. Single-use plans are the ones that are formulated to deal with new or non-repetitive situations that may arise in an organization from time to time. This includes programs, budgets, and projects.
- Standing plans refers to the types of plans which once formulated may be used for a long period of time in similar or repetitive situations that may prevail in an organization. This includes policies, procedures, methods, and rules.

31. The five factors which Ankit has to consider before making dividend decisions are:

- i. **Growth Opportunities:** The financial needs of a firm are directly related to the investment opportunities available to it. If a firm has abundant profitable investment opportunities, it will adopt a policy of distributing lower dividends. It would like to retain a large part of its earnings because it can reinvest them at a higher rate.

- ii. **Stability of Dividends:** Investors always prefer a stable dividend policy. They expect to get a fixed amount as dividends which should increase gradually over the years.
  - iii. **Legal Restrictions:** A firm's dividend policy has to be formulated within the legal provisions and restrictions of the Indian Companies Act.
  - iv. **Restrictions in Loan Agreements:** Lenders, mostly financial institutions, put certain restrictions on the payment of dividends to safeguard their interests.
  - v. **Liquidity:** The cash position is a significant factor in determining the size of dividends. Higher the cash and overall liquidity position of a firm, higher will be its ability to pay dividends.
32. a. The divisional structure is followed by the N-Guard Company. N-Guard Company decided to appoint different engineers for all the regions. Though all the engineers were appointed to manufacture stabilizers the product differed from region to region. In the divisional structure activities are grouped on the basis of products or services offered by the business.
- b. The advantages of a divisional structure are:
- i) **Managerial efficiency:** A divisional structure provides numerous opportunities for the development of skills and knowledge of the managers. The head of each division gains experience as he or she deals with a variety of functions simultaneously. This enables the division head to grow professionally and improve proficiency.
  - ii) **Measurement of performance:** In a divisional structure, the performance of each of the divisions are judged on the basis of its profit and loss during a particular period. This type of assessment of performance is easier and helps in taking appropriate and timely corrective action in case of poor performance.
- The limitations of a divisional structure are:
- i) **Departmental conflicts:** Sometimes conflicts may arise among different divisions with regard to various decisions and actions of the organization such as those relating to the allocation of funds and resources.
  - ii) **Increase in cost:** As there exists a similar functional structure under each division, the same set of functions are performed under each department. Thus, there is a high probability of overlapping activities, which results in a rise in cost for the organization.

33. Non-financial incentives are used to motivate employees to improve their performance. These incentives are not measured in terms of money, rather they provide psychological and emotional satisfaction.
- i. **Status:** In business terms, status means ranking of positions in the organisation. The authority, responsibility, rewards, recognition, perquisites and prestige of job indicate the status given to a person holding a managerial position. It is the ranking of position, rights and duties in the organization. Research indicates the fact that middle and higher-level employees prefer escalations in status to increment in pay. Status satisfies psychological, social and esteem needs of an individual.
  - ii. **Organisation climate:** Organisational climate means the working system within the organisation. This includes individual freedom, receipt of awards, the importance of employees, etc. Every person likes to work in a better organisational climate. The manager can motivate the employees by providing a better organisational environment. A positive climate serves as an incentive to improve performance. Supportive relationships, knowledge of work done, healthy competition for superior performance, etc are all motivating factors.
  - iii. **Career advancement opportunity:** Most of the employees want to explore in their career. Promotion is an important example of advancement. Training and development facilities have got to be provided for the promotion of the employees. An organisation can motivate its employees by providing them opportunities for in-service training and promotion. In other words, if the employees are provided the opportunity for their advancement and growth and to develop their potentiality, they feel very much satisfied and become more committed towards the organisation goals.

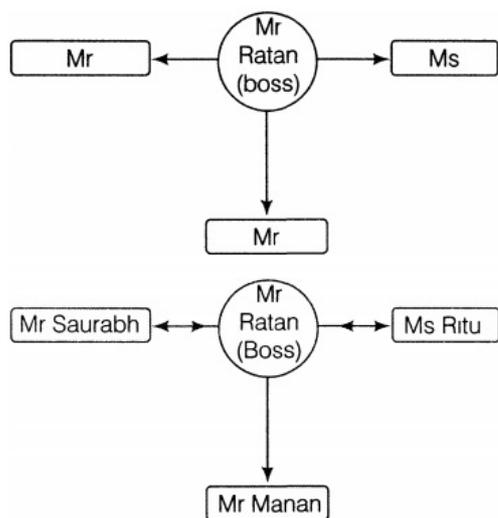
**OR**

Leadership is defined as personal quality of an individual that influence the behavior of followers. It is an important function of management. Leadership is an act of influencing people so that the followers follow the path of leader. Leadership is defined as influence, that is, the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group work.

The various styles of leadership are as follows:

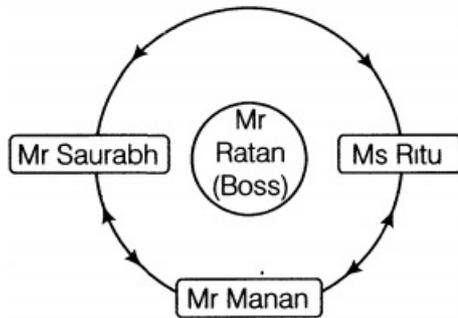
- i. **Autocratic/Authoritative leadership:** Under this style, all decision-making power is vested in the leader and he exercises complete control over his subordinates. The leader determines the policies without consulting them and assign task to them without giving them any freedom. It is like 'bossing people around'. It is a boss centred leadership, and is also called directive style of leadership.

e.g. Mr Ratan, the GM of Add Industries delegates the work to his staff Ms Ritu, Mr Saurabh, Mr Manan, according to his discretion. Here Mr Ratan is behaving as an autocratic leader.



- ii. **Democratic/Participative leadership:** Under this style, leader consults his subordinates in the decision-making process and works out policies with the acceptance of the group. He encourages them to give suggestions in setting goals and implementing decisions. It is group-centred leadership  
.e.g. Mr Ratan realised that due to the absence of Mr Manan, the targets will not be met, so he discusses with his staff about meeting the deadline. Everybody decided to do overtime and complete the task. Here Mr Ratan is behaving as a democratic leader.
- iii. **Laissez-faire/Free-rein leadership:** Under this style, the leader gives full freedom to the subordinates in setting goals. Such a leader avoids the use of power. The leader does not interfere in the activities of the subordinates. Group members work themselves as per their own choice and competence. It is called subordinate centred leadership.  
e.g. The staff plans to organise a party in the honour of Mr Manan as he got

promoted. Mr Ratan asks the other members of the staff to fix the venue and menu for the occasion Here, Mr Ratan is behaving as a free-rein leader.



iv. **Transformational leadership:** Transformational leadership is a leadership style that is defined as leadership that creates valuable and positive change in the followers. A transformational leader focuses on “transforming” others to help each other, to look out for each other, to be encouraging and harmonious, and to look out for the organization as a whole. In this leadership, the leader enhances the motivation, morale and performance of his follower group. A person with this leadership style is a true leader who inspires his or her team with a shared vision of the future. Transformational leaders are highly visible, and spend a lot of time communicating.

34. The four Ps are the key factors that are involved in the marketing of a good or service. They are the product, price, place, and promotion. Often referred to as the marketing mix, the four Ps are constrained by internal and external factors in the overall business environment, and they interact significantly with one another. As per this question these 4 ps i.e. product, place, price, and promotion are used by the Haryarama to to prepare its market offerings

The combination of variables used by Haryaram to prepare its market offerings are described below:

a. **Product:** "Their products include chips, biscuits, sweets and squashes."

A product is anything of value i.e. a product or service offered to a market to satisfy its needs or wants. A product includes physical product, after-sale service, handling grievances etc. The type of product also partially dictates how much businesses can charge for it, where they should place it, and how they should promote it in the marketplace. Every marketer needs to constantly review and

revise its products in order to enhance customer's satisfaction and have a competitive edge.

- b. **Price:** "It charges a comparatively higher price than its competitors."

Price is the monetary value paid in consideration for the purchase of a product or service by a buyer to its seller. It is a very crucial decision for the marketers as consumers are very sensitive to the pricing. The factors affecting price determination are the cost of the product, the utility and demand, the extent of competition in the market, government and legal regulations, pricing objectives and marketing methods used.

- c. **Place:** "It has five of its own retail shops." Or "It also sells its products through various grocery shops."

It is considered an important element of marketing mix because it includes all those activities that help in making the goods and services available to the prospective buyers in the right quantity, at the right time and in the right condition. The two main decisions involved in physical distribution are a physical movement of goods from producers to consumers and choice of channels of distribution.

- d. **Promotion:** "It regularly uses different communication tools to increase its sales." Promotion refers to the set of activities undertaken by a marketer to inform the prospective buyers about the product and persuade them to make a purchase. The various components of promotion mix are advertising, sales promotion, personal selling and public relation."