

CBSE
Class XII Business Studies
All India Board Paper Set 2 – 2014

Time: 3 hrs

Max. Marks: 90

Note:

- Please check that this question paper contains 12 printed pages.
 - Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
 - Please check that this question paper contains 30 questions.
 - **Please write down the Serial Number of the question before attempting it.**
 - 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.
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General Instructions:

- (i) All questions in both the sections are compulsory.
 - (ii) Marks for questions are indicated against each question.
 - (iii) Questions No. **1 – 12** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
 - (iv) Questions No. **13 – 18** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
 - (v) Questions No. **19 – 22** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
 - (vi) Question number **23 – 26** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
 - (vii) Question number **27 – 30** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
 - (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.
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1. State the objective of 'Financial Management'. **[1]**
2. What is meant by 'Financial Risk?' **[1]**
3. What is meant by 'Decoding' as an element of communication? **[1]**
4. 'Providing the social security and welfare of employees' is one of the specialised activities performed by Human Resource Management. Mention any two other specialised activities

- of Human Resource Management. [1]
5. Give any two characteristics of 'Organizational Climate' that influence the behaviour of individuals and act as a non-financial incentive. [1]
 6. How are employees motivated to improve their performance when the organisation uses internal sources of recruitment? State. [1]
 7. Give the meaning of 'Method' as a type of plan. [1]
 8. Give the meaning of 'Responsibility' as an element of delegation. [1]
 9. Define 'organizing' as a function of management. [1]
 10. What is included in 'Legal Environment' of Business? State [1]
 11. What is determined by Time-Study' [1]
 12. What is meant by 'Management of Work'? [1]
 13. ABC Crackers Ltd., ABC Crackers Ltd., a fire-cracker manufacturing company launched some new products on the eve of Diwali in the market, which attracted many buyers. To meet the increased demand, the company employed people from nearby villages where there is a lot of unemployment. Because of the good behaviour of the management with the employees, more and more people wanted to join the company. As the products were in great demand in the market, a competitor imitated the products. The products of the competitor were not accepted by the consumers as it was a status symbol to buy the products of ABC Crackers Ltd. because of their quality.
 - a. Identify and explain the product-related decision because of which consumers preferred the products of ABC Crackers Ltd
 - b. Also identify any two values which ABC Crackers Ltd. wanted to communicate to the society. [3]
 14. 'Stock Exchange not only contributes to the economic growth but performs many other functions'. Explain three such functions. [3]
 15. Huma is working in a company on a permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Huma worked overtime, due to which she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realised that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.
 - (i) By quoting the lines from the above para, identify the needs of Huma which she is able to fulfil.

- (ii) Also explain two other needs of Huma followed by the above needs, which still remained to be satisfied. [3]
16. Explain any three functions performed by a supervisor that are vital to any organisation. [3]
17. State any three points of importance of consumer protection from the point of view of consumers. [3]
18. Explain the following rights of consumers:
(i) Right to Safety
(ii) Right to be Heard [3]
19. State any four advantages of external sources of recruitment. [4]
20. Give the meaning of 'Investment' and 'Financing' decisions of financial management. [4]
21. Explain the concept of 'Business Environment' and any three features of it. [4]
22. Mega Ltd. was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analysed the reasons of less revenues. After analysis, the company decided
(i) to reduce the labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.
(ii) to start manufacturing solar water-heaters and reduce the production of electric water-heaters slowly.
This will not only help in covering the risks, but also help in meeting other objectives too.
(a) Identify and explain the objectives of management discussed above.
(b) State any two values which the company wanted to communicate to the society. [4]
23. What is meant by 'Personal Selling'? Explain any three qualities of a good salesman. [5]
24. Principles of Taylor and Fayol are mutually complementary. One believed that the management should share the gains with the workers, while the other suggested that employees compensation should depend on the earning capacity of the company and should give them a reasonable standard of living.
Identify and explain the principles of Fayol and Taylor referred to in the above para. [5]
25. Define 'Planning'. State any four points of importance of planning. [5]
26. Differentiate between 'Primary Market' and 'Secondary Market' on any five basis. [5]

27. Explain the following functions of marketing:

- (i) Product designing and development
- (ii) Standardization and Grading
- (iii) Customer support services
- (iv) Pricing of products

OR

'Though advertising is one of the most frequently used medium of promotion of goods and services, it attracts lot of objections.' Explain any four such objections. **[6]**

28. Explain the relationship between planning and controlling.

OR

Explain the various steps in the process of controlling. **[6]**

29. Explain, with the help of any four points, the importance of Delegation' in an Organization.

OR

'Organizing involves a series of steps in order to achieve the desired goals.' Explain these steps. **[6]**

30. Explain the following as factors affecting the requirements of fixed capital:

- (i) Scale of operations
- (ii) Choice of technique
- (iii) Technology upgradation
- (iv) Financing alternatives

OR

Explain the following as factors affecting 'dividend decision':

- (i) Stability' of dividend
- (ii) Shareholders' preference
- (iii) Legal constraints
- (iv) Access to capital market

[6]

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Answer 1

The basic objective of financial management is to maximise the wealth of shareholders, i.e. it aims at taking financial decisions which prove beneficial for shareholders. Such financial decisions are taken wherein the anticipated benefits exceed the cost incurred.

Answer 2

Financial risk refers to the risk that borrowed funds would not be repaid. In other words, it implies the risk that the company would not be able to meet its fixed financial obligations such as interest payment, preference dividend and other repayment obligations.

Answer 3

Decoding means a process of converting the encoded message into language and understanding the message.

Answer 4

The two other activities performed by human resource management are (i) Providing the necessary training and development to employees for career growth, and (ii) Recruiting, selection and placement of personnel.

Answer 5

Two characteristics of 'Organisational Climate' which influence the behaviour of individuals and act as a non-financial incentive are (i) Autonomy or employee empowerment and (ii) Employee recognition programmes.

Answer 6

When the organisation uses internal sources of recruitment, employees are motivated to perform the best for their organisation as it gives a chance to existing employees to grow and occupy higher positions.

Answer 7

A method is a standing plan which is a systematic way of performing a routine job. Selecting an appropriate method saves time and money, and it may vary from task to task.

Answer 8

Responsibility refers to the obligation that the task which is assigned is successfully completed within the stipulated time. A responsible subordinate is obedient and loyal towards the duties assigned to him.

Answer 9

Organising refers to the procedure wherein various activities in an organisation are

aligned in order. It comprises defining the roles of various personnel and directing them to work towards the goals and objectives of the organisation. This function brings together human efforts and resources in the organisation.

Answer 10

Legal environment includes the framework of legislation and rules impacting the business. It is framed by the Parliament and passed by the government such as the Companies Act, 1956, Industries Dispute Act, 1947, and Trade Union Act, 1926.

Answer 11

According to time study, there must be a standard time limit for the completion of a task. With repeated observations with regard to time taken in completing a task, a standard limit is set. This helps in deciding the number of employees which would be required in completing a task.

Answer 12

Management of work refers to all the activities of an organisation which aim at achieving goals or tasks to be accomplished effectively and efficiently.

Answer 13

- a. The product-related decision because of which consumers preferred the products of ABC Crackers Ltd. is the 'quality and the brand name'. The standard quality of the products manufactured by the company helps in maintaining its brand name in the market. So, consumers wish to demand the products of ABC Crackers Ltd. as their goodwill and reputation are more in the market.
- b. Values ABC Crackers Ltd. wanted to communicate to society:
 - i. To provide employment opportunities so that it decreases unemployment in villages
 - ii. To provide good quality products to consumers

Answer 14

A stock exchange refers to a market wherein the sale and purchase of securities occur. The main functions of the stock exchange:

- i. **Provides Liquidity and Marketability:** The stock exchange provides a platform where sale and purchase of existing securities can take place. In this way, the stock exchange facilitates the conversion of securities to cash as and when required. In addition, it renders liquidity to long-term securities and can be converted to medium-term and short-term securities.

- ii. **Determination of Prices:** A stock exchange acts as a link for the interaction of buyers and sellers. In other words, it helps in the interaction of demand and supply forces, and thereby helps in establishing the price of securities.
- iii. **Fair and Safe Market:** A stock exchange provides a safe and fair market for trading of securities. It functions according to a well-regulated legal framework.

Answer 15

- i. According to Maslow's Needs Hierarchy Theory, the needs of an individual can be classified into five categories which can be arranged in a hierarchical order as physiological needs, security needs, belongingness needs, esteem needs and actualisation needs. Huma realised that she was fulfilling only 'physiological and security needs'. Physiological needs are the most basic needs in the hierarchy of needs. It comprises needs which are essential for survival and sustenance. For example, need for food, clothing and shelter. In terms of an organisation, the requirement of a basic salary is a physiological need. Security needs is that an individual requires physical and economic security. Huma has a permanent job which ensures complete security for her.
- ii. Two other needs of Huma (followed by the above needs) which still remained to be satisfied are 'belongingness needs' and 'esteem needs'.
 - a. Belongingness needs refers to the social needs of an individual in terms of affection and acceptance.
 - b. Esteem needs comprises elements such as respect, dignity and recognition in the peer group.

Every individual yearns for social acceptance and belongingness as well as respect and acknowledgement in the peer group. In this situation, Huma falls sick and takes leave but no one showed concern and enquired about her health.

Answer 16

In an organisation, a supervisor is a person responsible for directly overseeing the various activities of workers. Functions performed by a supervisor:

- i. A supervisor guides workers and provides support to them. He ensures that workers work with harmony and unity.
- ii. He serves as the link of communication between the manager and workers. While on one hand, he communicates the information and ideas of the management to workers, on the other hand, he communicates the problems of workers to managers. In other words, the management and workers communicate through the supervisor.
- iii. It is the responsibility of the supervisor to ensure that the work is performed efficiently and smoothly and that the set targets are met.

Answer 17

Consumer protection refers to educating consumers regarding their rights and responsibilities along with the redressal of their grievances and complaints. Important points of consumer protection from the point of view of consumers:

- i. **Ignorance of consumers:** In India, consumers are unaware about their rights and available reliefs; it becomes important to educate them about the same.
- ii. **Exploitation of consumers:** Sellers are engaged in exploitative and unfair trade practices to increase sales, implying the need for consumer protection.
- iii. **Unorganised consumers:** In India, consumer organisations and NGOs are few and not that powerful, implying the need of protecting consumers.

Answer 18

- i. **Right to Safety:** It is the right of consumers to safeguard themselves against goods and services which can be hazardous to life, health or property. For example, consumers can get injured if they use defective electrical appliances. Every consumer has the right to protect himself against such goods.
- ii. **Right to be Informed:** Every consumer has the right to have complete information with regard to goods and services. For instance, they must have information regarding quality, quantity, price, ingredients and weight of goods and services. In India, it is mandatory by law for manufacturers to provide information about the product on its package and the label. This helps the consumer in making an informed, wise choice.

Answer 19

External sources of recruitment are the ones where job vacancies are filled from outside the organisation. Benefits of external sources of recruitment:

- i. **Fresh talent:** Recruitment through external resources gives scope for entry of new talent resources into the organisation. Hence, there is increased organisational efficiency.
- ii. **Wider choice:** External sources provide a wide variety of choices for selecting the suitable candidate. For example, advertisement or placement agencies help in recruiting the right person from various applicants who applied for the job. Hence, the organisation is able to select from various applicants.
- iii. **Competitive spirit:** When external resources join the organisation, existing employees will compete with new external resources by working hard. Hence, there is a competitive spirit among existing and external resources in the organisation.
- iv. **Qualified personnel:** Recruitment through external sources assists in hiring qualified, specialised personnel and trained resources for designated jobs. Hence, these resources are capable to adapt to changes in technological development.

Answer 20

Financial management means efficiently acquiring and using funds. It is concerned with main financial decisions:

i. **Investment Decisions:**

A firm must decide where to invest the funds such that it can earn maximum returns. Such decisions are known as investment decisions. These decisions are taken for both long term and short term.

- **Long-term investment decisions:** These decisions affect a firm's long-term earning capacity and profitability. They are also known as the capital budgeting decisions. For example, decision to purchase a new machine and land.
- **Short-term investment decisions:** These decisions, also known as working capital decisions, affect the day-to-day business operations. For example, decisions related to cash or bill receivables.

ii. **Financial Decisions:**

Financing decisions involve decisions with regard to the volume of funds and identifying the sources of funds. There are two main sources of raising funds—shareholders' funds (equity) and borrowed funds (debt). Considering factors such as cost, risk and profitability, a company must decide an optimum combination of debt and equity. Example: While debt proves to be cheaper than equity, it involves greater financial risk. Financial decisions must be taken judiciously as they have an impact on the overall cost of capital of the firm and involve financial risk.

Answer 21

A business environment refers to the aggregate of external conditions, events and resources which are outside the control of a business but interact with it and affect its performance. For example, change in the taste and preferences of consumers, change in government policies, change in political scenario, change in legal polices, all make up the business environment.

Features of business environment:

- i. **Interrelated:** Different forces acting in a business environment are closely related to each other. For example, an increase in the income of consumers increases the demand for consumer durables such as television and refrigerator.
- ii. **Ever changing:** Business environment is dynamic and ever changing. For example, consumer tastes and preferences, technology, government rules and policies keep changing continuously.
- iii. **Complex:** Business environment is the aggregate of different interrelated and dynamic forces. Thus, it becomes difficult and complex to understand. For example, all political, social, economic, technological and legal matters affect the performance of an organisation simultaneously. While it may be easy to understand the individual affects of these forces, their cumulative effect is quite difficult to understand.

Answer 22

- a. The objective of the management referred in the paragraph is 'organisational objective'. One of the important organisational objectives is to survive and exist in a competitive market for a long period. This becomes feasible only if the total income earned by an organisation should be able to cover the various costs incurred in its operation. Also, it must grow and expand their activities.
- b. Two values conveyed by the organisation in this situation:
 - i. Providing employment in backward areas of society
 - ii. Using environment-friendly methods of production

Answer 23

Personal selling involves direct communication with potential consumers. Three qualities of a good salesman:

- i. **Mental qualities:** A good salesman should have intelligence to understand the customer and be able to fulfil a customer's requirement. Basically, he should have two qualities—empathy and ego drive. Empathy is the salesman's ability to understand the difficulty of customers. Ego drive is not only pursuing a sale for money but also trying to achieve personal success.
- ii. **Social qualities:** A good salesman should be well-mannered and pleasant to greeting and thanking customers. He should express politely for being successful in personal selling. An ability to provide a detailed description on the product which he pursues to sell. At the same time, he should handle customers appropriately without offending others.
- iii. **Physical qualities:** A good salesman should have a pleasing personality. He should appear with good grooming, neat and clean dress to create a good impression. He should ensure that customers are satisfied with the product by providing them with required information.

Answer 24

Two principles which are mentioned in the paragraph:

- i. **Harmony, not Discord:** Taylor emphasised that managers and workers should maintain a harmonious work environment. They should realise their interdependence and work in amity. He was well acquainted with the fact that a friendly working environment will help in developing relations between them. He introduced this principle to maintain a peaceful kinship between people. When workers are deprived of their wishes or demands, they generally go on strike. This affects the productivity and the working environment. To dismiss such a situation, Taylor was ardent about a mental revolution. It implies a change in the thinking of both workers and managers. For example, if a worker is having a problem with the working hours, he should talk to the manager about it, instead of letting it effect production by going on a strike.

Similarly, managers should listen to the worker's suggestions and demands rather than ignoring them.

- iii. **'Remuneration of Employees' by Fayol:** Fayol emphasised that the compensation provided to employees should be fair and just. Remuneration is determined based on the work they performed for the organisation and should be sufficient for leading a standard life. If the remuneration is adequate, then it will boost and encourage employees to contribute the best to the organisation. While if the remuneration is not adequate, then it will not give immense pleasure and satisfaction to work and employees tend to leave the organisation. Here, an organisation will have an increase in employee turnover. Therefore, the organisation should maintain harmony by providing fair remuneration to employees and also the remuneration is given by considering the capability of the organisation.

Answer 25

According to Alfred and Beatty, 'Planning is the thinking process, the organised foresight, the vision based on facts and experience that is required for intelligent action'.

Factors of planning because of which we can say that it is a very significant action despite gigantic costs:

- i. **Renders direction:** Planning clearly states the predetermined course of action, guides managers about things to be done, what route to take and how the objectives are to be achieved and provides direction to the actions of different departments of the organisation. Planning also ensures that various departments of the organisation work in a coordinated manner towards the achievement of desired objectives.
- ii. **Subdued risk of uncertainties:** One of the main agendas of planning is to predict or anticipate any future risk or unfortunate events which can cause major damage to a business. Plans are made to overcome such uncertainties. Such uncertainties are met by keeping aside some of the resources. Planning shows how to deal with situations which may arise in the due course of management though it does not fully eliminate problems.
- iii. **Minimised overlapping:** Departmental and organisational plans are made keeping in mind the requirements of the departments. Thus, managers are well comprehended with the policies and plans of the organisation, resulting in integration of activities. Through minimisation and elimination of useless resources and redundant activities, overlapping of the work is reduced and any wastage of resources which takes place because of repetition is reduced. Proper planning ensures that there is no confusion or misunderstanding and that work proceeds smoothly.
- iv. **Encourages creativity:** Through better procedures, ideas and methods, planning serves as the stepping stone of an organisation's success and can be termed an intellectual process. Planning includes formulating policies and plans which require

innovation. It is a crucial activity which requires the best of thinking capabilities and creativity of managers.

Hence, we can infer that despite the costs involved, planning is a very important function in management and worth the costs incurred.

Answer 26

Basis of Difference	Primary Market	Secondary Market
Securities Traded	Sale and purchase of newly issued securities take place in the primary market.	Sale and purchase of already issued securities take place in the secondary market.
Issued by	Securities are directly issued by companies.	Securities are between investors, and hence, there is no involvement of companies.
Price	Prices are fixed by the company and its management.	Prices are fixed by forces of demand and supply.
Geographical Area	No fixed place for a primary market.	Fixed area and working hours under a secondary market.
Purchase and Sale	Securities can only be purchased in the primary market.	Securities can be both purchased and sold in the secondary market
Capital Formation	Directly promoted funds from savers to investors are directly channelised for productive purpose.	Indirectly promoted because the liquidity of securities is augmented.

Answer 27

Marketing refers to the process of interaction between buyers and sellers with the objective of exchange of goods and services.

Functions of marketing:

- i. **Gathering and analysing market information:** Marketer analyses the market and identifies the best opportunities. Collecting information of the target market segment including the size of market and behaviour, culture, needs and wants of customers.
- ii. **Marketing planning:** Creating a market plan to achieve marketing goals and objectives of the organisation. Market research is conducted to analyse preferences of customers to formulate a suitable plan.
- iii. **Customer support services:** Involves handling complaints and feedback of customers. Customer support services are developed such as credit, maintenance, technical services and consumer information. These customer services are provided to satisfy customers and to make them a permanent customer for their product.

- iv. **Physical distribution:** Channels of distribution are to be decided through which products would be moved from place of production to the place of consumption. Choosing an appropriate distribution channel holds more important because an inappropriate distribution channel may either lead to an increase in the price of the good or decrease in the quality of the product.

OR

There are different views with regard to expenditure on advertising. On one hand, it is considered a social waste as it adds to the cost of production, weakens social values and adds to consumer needs and desires. On the other hand, it is beneficial as it helps in enhancing the sales of the product of the firm.

Objections to advertising:

1. **Higher Cost:** Expenses on advertisement add to the cost of the product, the firm and is passed on as additional cost to consumers in the form of higher prices.
However, advertising helps in attracting consumers to the product. Accordingly, the demand for the product increases. To cater to the increased demand, the production increases. An increase in the production in turn lowers the per unit cost of production.
2. **Weakens Social Values:** A major argument against advertising is that it weakens social values in the sense that it promotes materialism in society. Advertisement attracts customers and induces them to purchase the product. They are more aware with regard to the availability of different and new products in the market. In the process, they are often dissatisfied with their current possession of goods. Often on being increasingly attracted by the new product, they even purchase products which they may not require. This increases materialism in society.
On the other hand, it is said that an advertisement is beneficial to consumers in the sense that it informs them about various products available in the market. The final decision regarding the product purchase lies with the consumer himself.
3. **Creates Confusion:** With the advertisements of a large number of similar products, the consumer often gets confused. On the contrary, advertisements may help in increasing knowledge of different products available in the market. In this way, it increases consumer choice and helps consumers in making an informed decision with regard to product purchase.
4. **Promotes Inferior Goods:** Advertisement induces consumers to purchase the product. Even inferior goods can be advertised, and their demand be induced. However, it said that quality is only a relative product. Advertisements provide knowledge with regard to all kinds of products. Whether to purchase a product or not is up to the consumers themselves.

Answer 28

Controlling is closely related to planning. A good control system requires set standards for evaluation. These standards are provided by the plans defined by the organisation. In other words, plans serve as the base for controlling.

Controlling is essential for effective implementation of plans. It is essential to keep a close watch on plans, identify any deviations and take appropriate corrective actions. Without proper controlling, planning would be futile.

In a similar manner, planning forms the base for controlling. Without planning, there would be nothing to control. Controlling is done only when there are predetermined standards against which evaluation can be performed.

While planning involves intellectual thinking, decision making and deciding a course of action, controlling ensures that plans take the required course of action.

Both concepts of planning and controlling are interlinked as they are forward looking and backward looking. Planning is a process wherein it is decided what is to be done and accordingly deciding the required course of action. In other words, planning involves deciding the goals and objectives which are to be achieved and deciding the actions through which they are to be achieved. In this way, planning helps in predicting future actions; thus, it can be said to be looking ahead.

As against planning, the controlling function involves assessing and evaluating past performance against pre-defined standards. Because controlling assesses past performance, it can be said to be backward looking.

However, it must be remembered that planning decides the goals and actions for the future, but these decisions are taken on the basis of experiences and previous controlling actions. Thus, planning involves looking back as well.

In a similar manner, controlling not only involves assessing past performance but also decides corrective actions to be taken (in the future) and forms the base for plans. Thus, the controlling function looks forward as well.

OR

Controlling refers to the process of ensuring that the various activities and tasks in the organisation are performed according to the pre-defined goals and objectives.

Steps involved in the controlling process:

1. **Setting Standards:** The first step is setting standards against which the actual performance is evaluated. The standards can be in both qualitative terms (such as improved coordination, higher goodwill) and quantitative terms (such as sales targets, production targets). It must be kept in mind that the set standards should facilitate easy comparison.
2. **Measuring Actual Performance:** The next step in the controlling process is to measure the performance of various activities. For this, various techniques can be used such as personal observation and performance reports. This measurement should be exact and reliable such that it facilitates easy comparison with the set standards.

Moreover, the measurement of performance can be at various stages in the activity or at the completion of the activity.

3. **Comparing Performance:** After the actual performance is measured, it is then compared with pre-defined standards. This helps in assessing whether there are any deviations/deficiencies in performance. Accordingly, it helps in identifying the required corrective actions to be taken.
4. **Analysing Deviation:** With the comparison of actual performance with set standards, deviations in performance are identified. For analysing deviations, the following methods can be used:
 - **Critical Point Control:** According to this technique, rather than controlling all the activities in the management, only the key result areas (those that affect the entire organisation) should be focused on.
 - **Management by Exception:** According to this technique, only significant deviations which are above an acceptable range should be controlled. An attempt must not be made to control everything.

Deviations should be identified, but their causes must also be recognised. Some causes for deviations can be infeasible standards, deficiencies in process and dynamic business environment.

5. **Corrective Measures:** In case deviations are beyond the acceptable range, it becomes necessary to take corrective action. It must be ensured that the deviations do not occur again.

Answer 29

Delegation refers to the act of transferring authority to lower levels in the hierarchy. For effective and smooth functioning, delegation is important for an organisation. Delegation helps in lowering the burden of top-level managers and thereby enables them to focus on other priority areas. Moreover, with delegation, the area of operations can be easily extended. While on one hand, it is helpful for managers, on the other hand, it is beneficial for subordinates in the sense that it provides them with better opportunities for growth and development.

Points explaining the importance of delegation for effective organising:

- i. **Managerial Efficiency:** With delegation, the burden of the top managers gets reduced to a large extent. They can focus on priority areas (such as research and innovation), while the routine work is handled by subordinates independently. Thus, the efficiency of managers is increased.
- ii. **Employee Proficiency:** Delegation proves beneficial to subordinates as well in the sense that it provides them with the opportunity to work independently, apply their own creativity and skills. This helps in their growth and development.

- iii. **Motivation:** Delegation of authority proves psychologically beneficial to subordinates. It motivates them to work to the best of their efficiency. It helps in developing a feeling of trust and commitment between superior and subordinate.
- iv. **Growth:** With delegation, employee proficiency is increased. In other words, it helps in preparing future managers to take up leading positions and greater responsibilities. This supports the growth and expansion of the organisation.
- v. **Hierarchical Structure:** The superior-subordinate relationship in an organisation is determined by delegation. In other words, it helps in determining the reporting relationships in the organisation.

OR

Organising refers to the procedure wherein various activities in an organisation are aligned in order. This function brings together human efforts and resources in the organisation.

Steps involved in the process of organising:

- i. **Identification and Division of Work:** The first step in the process of organising is to identify the various activities in the organisation and to divide them according to the plans. Division of work ensures that there is no duplication of work. In this way, it avoids the wastage of resources.
- ii. **Creation of Departments:** When the work is divided, activities which are similar are grouped together in departments. This grouping can be done on the basis of criteria such as regions and products. It promotes specialisation in work.
- iii. **Assigning Duties:** The third step is to assign and allocate the work to different employees. It must be ensured that the work is assigned according to the skills and capabilities of employees. In other words, it must be ensured that the most suitable person is selected for the work.
- iv. **Establishing Relationships:** A proper hierarchical structure must be established. Every employee must be clear that from whom he would take orders and to whom he is reporting. Such clarity in working relationships helps in smooth operations in the organisation.

Answer 30

- i. **Scale of operations:** A company with large-scale operations will require larger fixed assets in the form of plants, land and building.

Larger organisation ⇒ Higher investment in fixed assets

Small organisation ⇒ Lower investment in fixed assets

- ii. **Choice of technique:** A company may use labour-intensive or capital-intensive techniques. A company using capital-intensive techniques will require larger fixed assets, whereas a company using labour-intensive technique will require less fixed assets.

Capital-intensive organisation ⇒ Higher investment in fixed assets

Labour-intensive organisation ⇒ Lower investment in fixed assets

iii. Technology upgradation: Due to changes in technology or it becoming obsolete over time, companies require a large amount of investment in fixed capital. For example, certain machinery becomes obsolete very soon compared to other assets such as furniture. Therefore, a larger fixed capital is required for upgradation.

Faster upgradation ⇒ Higher investment in fixed assets

Slower upgradation ⇒ Lower investment in fixed assets

iv. Financing alternatives:

If leasing facilities are available without any lengthy procedures in the financial market, then the fixed capital requirements will be less.

Non-availability of financing alternatives ⇒ More fixed capital

Availability of financing alternatives ⇒ Less fixed capital

OR

- i. **Stability of dividends:** Generally, companies try to stabilise their dividends such that there is not much fluctuation in the dividends they distribute. They opt for increasing dividends only when there is a consistent increase in earnings.
- ii. **Preference of shareholders:** The preference of shareholders must also be considered while taking dividend decisions. For instance, if shareholders prefer that a certain minimum amount of dividends be paid, then the company may declare the same.
- iii. **Legal constraints:** Companies mandatorily need to adhere to the rules and policies of the Companies Act. The dividend decisions must be taken in careful consideration of these rules and policies.
- iv. **Access to capital market:** Generally, companies having greater access to the capital market are likely to pay higher dividends. This is because they need not rely much on retained earnings. On the other hand, companies with lower access to capital markets are likely to pay lower dividends.