

CBSE Class 12 Business Studies
Sample Paper 06 (2019-20)

Maximum Marks: 80

Time Allowed: 3 hours

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. Vaani Ltd's target production is 50,000 units in a year at ₹ 120 per unit. To achieve this target, Ajit the manager has to operate on double shifts due to power failure most of the time. Ajit is able to produce 50,000 units but at ₹150 per unit. How will you describe the role of Ajit?
 - a. Efficient but not effective
 - b. Efficient
 - c. Effective
 - d. Effective but not efficient

2. Michel John is a sole proprietor in Nicobar. He has started trade after getting an M.B.A degree. He is fully familiar with all the functions of management. He starts his business with the planning function of management. He desires that all his activities should conform to planning. To this effect, he has adopted a system that keeps a constant watch on all activities of the business. Consequently, there is zero possibility of adverse results. It can, therefore, be said that this method is directly related to the results. Mr John also believes that this method applies not only to anyone level of management but to all levels as well.

Identify the function of management referred to in the aforesaid paragraph.

3. Who is responsible for the welfare and survival of an organisation?
- a. None of these
 - b. Top Level Management
 - c. Operational Management
 - d. Middle-level Management
4. Booking of Railway tickets through internet from home or office is an example of _____
- a. Economic Environment
 - b. Political Environment
 - c. Technological Environment
 - d. None of these
5. A company gave its Sales Executives the directive that they could sell the goods on credit. Also, it told them very clearly to inform the customers that if up to one month they did not make the payment, after the completion of this period, they would have to pay interest for the whole period at the rate of 10% per annum.
- In the paragraph given above two types of plans has been mentioned. Identify them, quoting the relevant lines.

6. _____ cannot be entirely delegated
- a. Authority
 - b. None of these
 - c. Accountability
 - d. Responsibility
7. Staffing is very important function these days because of _____
- a. Complicated behaviour of human beings
 - b. All of these
 - c. Advancement of technology
 - d. Increasing size of organisation
8. Higher dividend per share is associated with:
- a. high earning, high cash flows, unstable earnings and higher growth opportunities
 - b. high earnings, high cash flows, stable earnings and high growth opportunities
 - c. high earnings, low cash flows, stable earnings and lower growth opportunities
 - d. high earnings, high cash flows, stable earnings and lower growth opportunities
9. Controlling is necessary for _____
- a. Large Scale Enterprise
 - b. Medium Level Enterprise
 - c. All of these
 - d. Small Scale Enterprise
10. Which of the following is not concerned with F.W. Taylor?

- a. Fatigue Study
- b. Scalar Chain
- c. Method Study
- d. Motion Study

11. Which is not an advantage of external source of recruitment?

- a. More competition
- b. Less partial
- c. New blood
- d. Less expensive

12. Which of the following is not correct?

- a. Planning reduces the profitability
- b. Planning is futuristic
- c. Planning is continuous process
- d. Planning focuses on achieving objectives

13. Which of the following affects capital budgeting decision?

- a. Investment Criteria and interest rate
- b. Cash Flow of the Project
- c. All of these
- d. Rate of Return

14. Which of the following marketable securities is the obligation of a commercial bank?

- a. Call money

- b. T-bills
- c. Commercial bill
- d. Negotiable certificate of deposit

15. Market price of share of an equity share is determined by _____.

- a. the stock exchange on which the share is listed
- b. the board of directors of company
- c. the chairman of the company
- d. individuals buying and selling the stock

16. Higher working capital usually results in:

- a. lower current ratio, higher risk and profits
- b. lower equity, lower risk and higher profits
- c. higher equity, lower risk and lower profits
- d. higher current ratio, higher risk and higher profits

17. On which of the following items **Hallmark** is found?

- a. Jewellery
- b. Woollen clothes
- c. Jams
- d. Room heaters

18. _____ means estimating the funds requirement of a business and determining the sources of funds for current and fixed assets and future expansion prospects.

- a. Dividend Decisions
- b. Financial Planning

c. Working Capital

d. Capital Structure

19. State true or false:

Consumer Protection Act augments the rights of consumers in relation to seller.

20. Which of the following is not the party to consumer protection?

a. Consumers

b. Businessmen

c. General public

d. Government

21. Anushka is doing a course in fashion designing from an institute of repute. As a part of the course, she has been asked to take on-the-job training in an export house for a fortnight in order to gain an insight into various practical aspects related to designing. Anushka, through the references from her senior, joins an export house owned by an upcoming designer, Nandita.

In the context of the above case:

a. Name and explain the type of training which Anushka has been asked to undertake.

b. Explain briefly any one method for providing off-the-job training.

OR

Ramesh is working under the guidance of Harish, a carpenter, for the last three years to learn the different skills of job. Name and explain the method of training Ramesh is undergoing.

22. Give one example of employee recognition.

23. Mohan, a manager expects his subordinates to adapt to the new environments and working conditions without giving them time to settle down. Which principle of

management is being overlooked and why?

24. As a global leader in the consumer electronics and entertainment industries, Sony has set forth **Road to Zero environmental plan**, to achieve a zero environmental effect by the year 2050 by producing world-class products in a manner that both protects and promotes a healthy and sustainable planet.

In the context of the above case:

- a. Identify the marketing philosophy being implemented by the company.
 - b. Outline the main focus and ends of the relevant marketing philosophy.
 - c. Define price as an element of the marketing mix.
25. Sumit purchased an ISI marked washing machine of a famous brand 'MG' from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek was very fond of experimenting with new electronics products. He told Sumit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer instructions. Initially, the machine worked effectively and the wash was good. But after two days the machine started stopping in between the wash cycle. Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit, therefore, approached TG Electronics Ltd. which refused to provide any service on the plea that the installation of the machine was not done by the company.
- a. State the responsibility which Sumit had to fulfil as an aware consumer to get the services of the company.
 - b. Explain briefly any two rights which Sumit could have exercised had he fulfilled his responsibility identified in part (a).
26. Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India. It focuses on job creation and skill enhancement and is in twenty-five sectors of the economy. Under the initiative, brochures on these sectors and a web portal were released. The initiative aims at high-quality standards and minimizing the impact on the environment. It also seeks to attract foreign capital investment in India.

In the context of the above case:

- i. Identify the various dimensions of the business environment being referred to by quoting lines from the paragraph.
- ii. List any two values which the Government of India wants to convey through this initiative.

27. Vikas was the Chief Operating Officer of **Yalet Ltd.**, a company providing advanced software solutions to Indian Defence Services. They had been carrying on business successfully for the last twelve years and earning enough profits. But from the last one year, they realised that though the business is getting big orders which are being fulfilled in time, even then the revenues kept on decreasing. Vikas was not able to find out where the problem was. He started keeping a close check on the progress of activities as he could sense that something was wrong. He wanted to take some action before any major damage could be done to the business. Vikas appointed a cyber security expert who monitored the company's processes and found out that the computer operator was deleting the entries from the computers and pocketing the revenues. He was caught and handed over to the police. This created an atmosphere of order and discipline in the organisation and helped in minimising dishonest behaviour on the part of the employees.

- a. Identify the function of management highlighted in the above paragraph.
- b. Explain any four other ways in which this function of management may help the organisation.

28. What are the method of floatation in the primary market? State any Five.

OR

- a. What is meant by financial planning? State its two aspects.
- b. Name any two values which an organisation follows when it takes care of sound financial planning.

29. Explain the following principles of general management:

- a. Division of Work
- b. Authority and Responsibility

c. Discipline

OR

Explain with the help of an example 'differential piece wage system' given by Taylor.

30. Suhasini, a home science graduate from a reputed college, has recently done a cookery course. She wished to start her own venture with a goal to provide 'health food' at reasonable prices. She discussed her idea with her teacher (mentor) who encouraged her. After analyzing various options for starting her business venture, they shortlisted the option to sell ready-made and 'ready to make' vegetable shakes and sattu milk shakes. Then, they weighed the pros and cons of both the shortlisted options.
- a. Name the function of management is discussed above and give any one of its characteristics.
 - b. Also briefly discuss any three limitations of the functionality discussed in the case.
31. Gaurav Industries needs to raise funds of Rs.30,00,000. Its expected earnings before interest and taxes (EBIT) are Rs.2,00,000. The company wishes to use more of debt content as compared to equity to raise earning per share (EPS) of equity shareholders. The debt is available at interest of 10%. As a finance Manager, advise whether the company should prefer more of debt or more of equity to have higher EPS. Give reasons in support of your answer.
32. The concept of decentralisation is related to the concept of delegation. Explain this statement in brief.
33. Rakesh is working under his superior, Neeraj. He always communicates useful ideas and suggestions to his superior regarding reduction of cost, improvement in the product, etc. Neeraj implements his suggestions and has always found favorable results, but he never appreciates Rakesh for his suggestions. Rakesh decided not to communicate any suggestion or idea to Neeraj. Identify the factor which acts as a communication barrier. Explain three other factors of the same group of communication barriers.

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34. Medi Instruments Ltd. is a company dealing in the distribution of medical instruments. The company recently imported 15000 units of sugar testing machines to test the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones. In the meeting, Sanjay, the North Zone Marketing Head, suggested that since the machines were sophisticated they need to visit hospitals personally to explain its working to the hospital staff who would be using the machines. He also suggested that additional trained people may be recruited for the same. Hitesh another Zonal Head, added that since a lot of money had been spent on the import of the machines, the company was short of funds to pay the additional staff, as suggested by Sanjay. Revansh, a newly appointed Zonal Head of South Zone, suggested that since the size of the order was not large a detailed study of the factors determining the choice of channels of distribution was required before making the right choice.
- i. Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.
 - ii. Also, explain briefly the other consideration to be taken care of in each factor identified in part.

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Solution

Section A

1. (d) Effective but not efficient

Explanation: Effective but not efficient

2. Controlling

3. (b) Top Level Management

Explanation: Top Level Management is responsible for welfare and survival of an organisation because they are responsible for all the activities of the business and its impact on society. They formulate overall organisational goals and strategies for their achievement. They analyse the business environment and its implications for the survival of the organisation.

4. (c) Technological Environment

Explanation: Technological environment includes changes relating to scientific improvement, method of production, use of new equipment and machineries to improve the quality of product etc.

Thus it is an example of technological environment.

5. i. **Policy:** “A Company gave sell the goods on credit”.

ii. **Rule:** “If upto one month interest for the whole period at the rate of 10% per annum.”

6. (d) Responsibility

Explanation: Responsibility flows upward. Subordinates will always be responsible to his superior. Superior can not fully delegate their responsibility.

7. (b) All of these

Explanation: In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

8. (d) high earnings, high cash flows, stable earnings and lower growth opportunities

Explanation: The dividend decision involves how much of the profit earned by company is to be distributed to the shareholders and how much of it should be retained in the business for meeting investment requirement. High earning, high cash flow, stable earning and low growth opportunities etc. affects the rate of dividend.

9. (c) All of these

Explanation: Controlling being an integral part of the management process is a prime function of the process. Small, medium and large business organizations necessarily are engaged in the process of managing their business units efficiently and effectively through the management process. Controlling aims at ensuring that the organizational resources are used efficiently and effectively, thus making it necessary for all kinds of business concerns to execute the control function.

10. (b) Scalar Chain

Explanation:

- The 14 principles of management propounded by Henri Fayol. **Scalar Chain is one of the principle given by Henri Fayol** which suggests that organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates.
- Fatigue study, Method study and Motion study are work-study techniques given by F.W. Taylor.

11. (d) Less expensive

Explanation: Less expensive

12. (a) Planning reduces the profitability

Explanation: All others are the characteristics of planning and correct except this one. This is also not correct.

13. (c) All of these

Explanation:

- These decisions are based on expected rate of return and risks involved from each proposal
- When a proposal involves huge cash flow in return it expects to generate cash flows
- Capital budgeting techniques are applied to each proposal before selecting a particular project. Amount of investment, interest rate etc should keep in

mind.

14. (d) Negotiable certificate of deposit

Explanation: Negotiable certificate of deposit

15. (a) the stock exchange on which the share is listed

Explanation: the stock exchange on which the share is listed

16. (d) higher current ratio, higher risk and higher profits

Explanation: Working capital refers to excess of current assets over current liabilities. Higher current ratio, higher risks, higher profits indicates large scale operation thus require large working capital.

17. (a) Jewellery

Explanation: Jewellery

18. (b) Financial Planning

Explanation: Financial planning means deciding in advance how much to spend, on what to spend according to funds at your disposal. In financial planning finance manager analyses various short term and long term investment plans and selects the most appropriate.

19. True

20. (c) General public

Explanation: General public

21. a. **Internship Training** is the type of training which Anushka has been asked to undertake. **Internship Training** is a method for providing on the job training to the employees through a joint programme in which educational institutions and business firms cooperate. The learners carry on with their regular studies for the prescribed period. They also work in some factory or office to acquire practical knowledge and skills related to their specific field of expertise.
- b. **Vestibule training:** **Vestibule training** is a popular method for providing off the job training through which the trainees learn their jobs on the equipment they will be using at their actual workplace. This is usually done when employees are required to handle sophisticated machinery and equipment.

OR

Ramesh is undergoing Apprenticeship training method. It can be explained as:

Apprenticeship Programmes:

- i. Under this method, a master-worker provides training to the trainee. This training is a combination of classroom lectures with practical on the job training.
 - ii. People seeking to enter skilled jobs, to become, for example, plumbers, electricians or iron-workers, are often required to undergo apprenticeship training.
 - iii. A fixed period of training is offered to trainees but slow learners may get additional training.
 - iv. Apprenticeship is a combination of on-the-job training (OJT) and related classroom instruction under the supervision of a journey-level craft person or trade professional.
 - v. They help you gain the skills and knowledge you need to succeed in your chosen industry. They help you gain the skills and knowledge you need to succeed in your chosen industry.
22. Employee recognition is an element of Non-Financial Incentives. Recognition means acknowledgement with a show of appreciation. When such appreciation is given to the work performed by employees, they feel motivated to perform at higher level. Example- Congratulating the employee for good performance.
23. 'Stability of tenure of personnel' is overlooked by Mohan (the manager). This principle is overlooked because manager is not providing so much opportunity to the employees, So that they get settled down. It increases recruitment and training expenses. He should be given reasonable time to show results.
24. a. Societal marketing concept which is the systematic application of marketing along with other concepts and techniques to achieve specific behavioural goals for a social good. For example, this may include asking people not to smoke in public areas, asking them to use seat belts or prompting to make them follow speed limits. is being pursued by the company.
- b. The main focus of this philosophy is on both the needs of the potential buyers as well as concern for the society at large. The ends include profit maximisation through customer satisfaction and social welfare.
- c. Market researchers have several different techniques for helping manufacturers set prices. Some lead to valuable insights, while others provide only confusion.

Carefully designed and professionally implemented quantitative research and data analysis together provide details that have a significant impact on outcomes.

25.
 - a. The responsibility which Sumit had to fulfil as an aware consumer to get the services of the company is to learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
 - b. The two rights which Sumit could have exercised had he fulfilled his responsibility are described below:
 - a. **Right to be Heard:** According to the Right to be Heard, a consumer has a right to file a case and be heard in case he/she is not satisfied with any product or service. In order to promote this right, most of the reputed firms have set up Consumer helpline cells. Moreover, the consumer organisations help the consumers' in filling and perusal of complaints. This right helps to empower the consumers of India for putting forward their complaints and concerns fearlessly and raising their voice against products or even companies and ensure that their issues are taken into consideration as well as handled expeditiously. However, till date the Indian Government has not formed even one outlet for hearing the consumers or their issues to be sorted out.
 - b. **Right to Seek Redressal:** According to the Right to Seek Redressal, the grieved consumer has the right to get relief in case the product or service falls short of his expectation. The various reliefs available to the consumers include the refund of amount paid for the goods, replacement of goods, removal of defects, compensation for any loss suffered etc.
26.
 - i. The various dimensions of the business environment being referred to in the above case are as follows:
 - a. Political Environment: The line from the given paragraph is "Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India."
 - b. Technological Environment: The line from the given paragraph is "Under the initiative, brochures on the twenty-five sectors and a web portal were released."
 - c. Economic Environment: The line from the given paragraph is "It also seeks to attract foreign capital investment in India."
 - ii. The two values which the Government of India wants to convey through this

initiative are:

- a. High-quality standards
- b. Concern for environment

27. i. Controlling the function of management highlighted in the above paragraph.
- ii. The Controlling Process may help the Organization in the following ways:
- a. Standards Setting Performance: Standards are the criteria, set in both quantitative and qualitative terms against which actual performance can be measured. Standard are the bench marks towards which efforts of entire Organization are directed. In order to determine whether the actual performance is proceeding in the right way standards are required. As far as possible, standards must be set up in numerical or measurable terms.
 - b. Measurement of Actual Performance: Once the standards have been determined, the next step is to measure the actual performance. The various techniques for measuring are sample checking, performance reports, personal observation etc. However, in order to facilitate easy comparison, the performance should be measured on same basis that the standards have.
 - c. Comparing Actual Performance with Standards: The standards should be in quantitative terms of facilities such comparison. This steps involves comparing the actual performance with standards laid down in order to find the deviations. Deviation means Difference between Actual Performance and Planned Performance. Deviations are of two types: Positive Deviation and Negative Deviation.
 - d. Analyzing Deviations: After identifying the deviations, various causes for same are analysed and the most exact cause or causes are identified in order to take corrective measures. While analyzing the deviations, 'Critical Point Control' and 'Management by Exception' techniques are used to save time.
 - e. Taking Corrective Actions: The final step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required. However, if the deviations exceed the acceptable limits, they should be immediately brought to the notice of the management for taking corrective measures, especially in the important and critical areas.

28. Following are the method of floatation in the primary market :

- i. Offer through prospectus: This involves inviting subscription from the public through issue of prospectus. A prospectus makes a direct appeal to investors to raise capital, through an advertisement in newspaper and magazines. Public issue involves a large number of intermediaries, such as bankers, brokers and underwriters.
- ii. 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. In this case, a company sells securities at an agreed price to brokers who, in turn, resell them to the investing public.
- iii. Private placement: Private placement is the allotment of securities by a company to institutional investors (like LIC, UTI etc.) and some selected individuals. It helps to raise capital more quickly than a public issue. The cost of raising finance through private placement of securities is lower than that through public issue of securities. Small companies which cannot afford to raise resources from the public issue, may opt for the private placement.
- iv. 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.
- v. e-IPOs: A company proposing to issue capital to the public through the on-line system of the stock exchange has to enter into an agreement with the stock exchange. This is called an Initial Public Offer (IPO). SEBI registered brokers have to be appointed for the purpose of accepting applications and placing orders with the company. The issuer company should also appoint a registrar to the issue having electronic connectivity with the exchange.

OR

- a. In simple language, financial planning means planning of finance. Financial planning refers to the process of deciding in advance how much to spend, on what to spend, according to the funds at the disposal of the enterprise. Financial planning determines the amount of capital required, capital structure and laying down the financial policies.

There are two aspects of financial planning which are as follows:

- i. How much funds are required to finance fixed assets and current assets and future expansion project?
 - ii. From where funds will come i.e. choice of sources i.e. internal sources or external sources.
 - b.
 - i. Ensuring survival of business.
 - ii. Taking care of involved risk.
29. a. **Division of Work:** In practice, employees are specialized in different areas and they have different skills. Different levels of expertise can be distinguished within the knowledge areas (from generalist to specialist). Personal and professional developments support this. According to Henri Fayol specialization promotes the efficiency of the workforce and increases productivity. In addition, the specialization of the workforce increases their accuracy and speed. This management principle of the 14 principles of management is applicable to both technical and managerial activities.
- b. **Authority and Responsibility:** In order to get things done in an organization, management has the authority to give orders to the employees. Of course with this authority comes responsibility. According to Henri Fayol, the accompanying power or authority gives the management the right to give orders to the subordinates. The responsibility can be traced back from performance and it is, therefore, necessary to make agreements about this. In other words, authority and responsibility go together and they are two sides of the same coin.
- c. **Discipline:** This third principle of the 14 principles of management is about obedience. It is often a part of the core values of a mission and vision in the form of good conduct and respectful interactions. This management principle is essential and is seen as the oil to make the engine of an organization run smoothly.

OR

Taylor wanted to differentiate between efficient and inefficient worker'. Under this system of wage payment, wages are paid on the basis of work done and the output produced. According to him, higher rates were given to the workers who are producing standard products or more and lower rates were given to those who are producing less.

Example:

Standard output = 100 units/day

Wage rate 1 = Rs10/unit for standard output
(100 units) or more

Wage rate 2 = Rs7/unit for below standard output

Worker 1 = Output 99 units

Wages = $99 \times 7 = \text{Rs } 693$

Worker 2 = Output 101 units

Wages = $101 \times 10 = \text{Rs } 1010$

Thus, a difference of Rs317 (1010-693), or difference of 2 units is enough to motivate the inefficient worker for more output. It makes it rather easier for the manager to clearly differentiate between an efficient and inefficient worker at the same time. The real cause of the growth of an organization lies in the quality of the workforce. Thus, the differential piece wage system helps to transform the inefficient worker into an efficient worker.

30. a. Planning is the function of management which is being discussed above. Planning involves decision-making: Planning essentially involves the application of rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.
- b. The limitations of planning are described below:
- i. **Planning may not work in a dynamic environment:** The business environment is dynamic in nature. Every organization has to constantly adapt itself to changes in its environment in order to survive and grow. However, it is difficult to anticipate all the likely future changes in the environment with the utmost accuracy. Hence, even with planning, everything cannot be foreseen.
 - ii. **Planning reduces creativity:** The top management undertakes the planning of various activities whereas the other members are expected to merely implement these plans. This restricts the creativity of the middle-level managers as they are neither allowed to deviate from plans nor are they permitted to act on their own.
 - iii. **Planning involves huge costs:** The process of planning involves a huge cost in terms of time and money as detailed planning is based on a series of scientific

calculations. Moreover, it may include a number of related costs as well, like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan. As a result, the expenses on planning may turn out to be much more than benefits derived from it.

31. Gaurav Industries should use less of debt (preferably no debt) to have higher EPS because current return on investment (ROI) is less than cost of debt. The prevailing ROI can be calculated as: $ROI = \frac{EBIT}{\frac{Total\ Investment}{2,00,000}} \times 100$ Here, EBIT=2,00,000 and Total investment =30,00,000 Thus, $ROI = \frac{2,00,000}{30,00,000} \times 100$ ROI=6.66% So, ROI is 6.66 % < 10%. When ROI is less than interest rate on debt, then EPS falls with rise in use of debt. So, the company should prefer more of equity to have higher EPS.

32. The process by which a manager shares some of his work and authority with his subordinates is known as the delegation of authority.

Decentralisation of authority refers to the systematic delegation of authority at all levels of management and in all the departments of the organisation for taking decisions and action appropriate at the respective levels. It is an extension of delegation to the lowest levels in the organisation. It amounts to pushing down authority to all managerial levels. Let us take an example.

Consider an organisation where all leave applications are processed by the G.M. He feels overburdened and transfers this authority of leave processing to Purchase Manager. This is an example of the Delegation of Authority.

If the Purchase Manager also feels over-burdened and requests the G.M. to give him some relief, G.M. may disperse this authority to various heads throughout the organisation and instruct them to process the leave applications of their respective departmental subordinates. This is an example of how delegated authority may be extended to decentralised authority.

We can also say that if we delegate the authority, we multiply it by two. And, if we decentralise it, we multiply it by many.

33. “Lack of proper incentives” acts as a communication barrier in case of Rakesh. Three other Personal barriers are:

1. Less faith in subordinates: Often, the superiors have a lack of confidence in the subordinates and, therefore, doubt on their capacity to provide relevant information. They deliberately ignore the suggestions and recommendations from the subordinates

and discourages them to further communicate. This lowers the morale of the employees and hinders the communication process.

2. Fear of challenge of Authority: There is a fear in the minds of the superiors that if they will not perform in line with their authority, they will be demoted to the lower levels. And, thus in order to maintain their level they intentionally hide their weaknesses by not communicating their ideas to others.

3. Unwillingness to communicate with the Superiors: Often the subordinates do not communicate with their superiors with an intention to conceal the information which is of a negative nature and can have an adverse effect. If the subordinate is required to inform his superior then, he modifies the information in such a way that it does not have a negative impact. Thus, by not providing the information in its actual form, the communication process is tempered.

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34. i. The factors influencing the choice of channels of distribution discussed here are
- a. **Product-Related Factor:** Product complexity Since the product marketed by

the company require technical detailing by the personnel, shorter channels of distribution will be preferred. As against this, non-complex products usually prefer longer channels. For the technical product, we have to provide proper details to the customer to use the product otherwise it may be harmful to him. The second product-related factor is that it is an industrial product which is directly distributed to the hospital so shorter channel is preferred.

- b. **Company Related Factor:** Financial strength Since the company is running short of funds, it may make use of indirect channels of distribution. If the financial position of the company had been strong, direct channels could have been used. Thus if the firm has plenty of funds, it may go for a direct channel of distribution and if not then it may go for an indirect channel.
 - c. **Competitive Factor:** Size of the order In the given case, the size of the order is not very large, therefore the company may prefer longer channels of distribution. If the order would have been large, direct channels could have been used.
- ii. The other consideration related to each of the factor identified above are
- a. **Product-Related Factor:** Nature of the product While industrial goods are usually technical, made to order and expensive products purchased by few buyers, they require shorter channels. Whereas, consumer goods which are standardized, non-expensive, less bulky and frequently demanded, require longer and indirect distribution channels. As technical product needs training so shorter channel should be preferred by producers.
 - b. **Company Related Factor:** Degree of control If the management wants to have greater control over distribution, shorter or direct channels will be preferred, and if the company does not want more control on middleman then it may go for the longer channel of distribution.
 - c. **Market Factor:** Number of buyers When the number of buyers is small and concentrated in a small place, shorter channels may be used. But, if the number of buyers is large and the market is widespread over a large geographical area, longer channels should be preferred.