

केंद्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan Regional Office Raipur



BUSINESS STUDIES



Class - XII

Question Bank Term- II 2021-22

केंद्रीय विद्यालय संगठन क्षेत्रीय कार्यालय रायपुर

Kendriya Vidyalaya Sangathan Regional Office Raipur

MESSAGE FROM DUPUTY COMMISSIONER



It gives me immense pleasure to bring out the study material for 2nd Term in different subject of Classes X and XII for Raipur Region. All of us know that in the 1st Term Examination questions were objective but in 2nd Term questions will be subjective so once again to get our children acquainted and familiarized with the new scheme of examination and types of questions, it is of utmost significance that an extensive study material should be provided to our children. This question bank is in complete consonance with CBSE Circular Number 51 and 53 issued in the month of July 2021. It will help students to prepare themselves better for the examination. Sound and deeper knowledge of the Units and Chapters is must for grasping the concepts, understanding the questions. Study materials help in making suitable and effective notes for quick revision just before the examination.

Due to the unprecedented circumstances of COVID-19 pandemic the students and the teachers are getting very limited opportunity to interact face to face in the classes. In such a situation the supervised and especially prepared value points will help the students to develop their understanding and analytical skills together. The students will be benefitted immensely after going through the question bank and practice papers. The study materials will build a special bond and act as connecting link between the teachers and the students as both can undertake a guided and experiential learning simultaneously. It will help the students develop the habit of exploring and analyzing the **Creative & Critical Thinking Skills**. The new concepts introduced in the question pattern related to case study, reasoning and ascertain will empower the students to take independent decision on different situational problems. The different study materials are designed in such a manner to help the students in their self-learning pace. It emphasizes the great pedagogical dictum that '*everything can be learnt but nothing can be taught*'. The self-motivated learning as well as supervised classes will together help them achieve the new academic heights.

I would like to extend my sincere gratitude to all the principals and the teachers who have relentlessly striven for completion of the project of preparing study materials for all the subjects. Their enormous contribution in making this project successful is praiseworthy.

Happy learning and best of luck!

Vinod Kumar
(Deputy Commissioner)

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Kendriya Vidyalaya Sangathan Regional Office Raipur

Our Patron



Vinod Kumar

Deputy Commissioner

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Smt. Biraja Mishra

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BUSINESS STUDIES CURRICULUM (CODE-054)
CLASS–XII (2021-22)-TERM II

SEMESTER XII (2021-22) TERM-II					
Units	TERM-2	SUBJECTIVE QUESTION PAPER		Periods	Marks
	Theory- Marks 40	DURATION: -2 Hrs			
Part A	Principles and Functions of Management				
6	Staffing			13	
7	Directing			09	20
8	Controlling			07	
		Total		29	20
Part B	Business Finance and Marketing				
9	Financial Management			20	15
10	Financial Markets			18	
12	Consumer Protection			05	5
	Total			43	20
		Total		72	40
	PROJECT WORK (PART – 2)				10
Term 2: Principles and Functions of Management					
Unit 6: Staffing					
Staffing: Concept and importance			•	Understand the concept of staffing.	
			•	Explain the importance of staffing	
Staffing process			•	Describe the steps in the process of staffing	
Recruitment process			•	Understand the meaning and steps in the process of recruitment.	
			•	Discuss the sources of recruitment.	
Selection – process			•	Understand the meaning of selection.	
			•	Describe the steps involved in the process of selection.	
Training and Development - Concept and importance, Methods of training - on the job and off the job - vestibule training, apprenticeship training and internship training			•	Understand the concept of training and development.	
			•	Appreciate the importance of training to the organisation and	

			to the employees.
			• Discuss on the job and off the job
			methods of training.
			• Discuss the meaning of vestibule
			training, apprenticeship training
			and internship training.
			• Differentiate between training
			and development.

Unit 7: Directing		
Directing: Concept and importance		<ul style="list-style-type: none"> Describe the concept of directing.
		<ul style="list-style-type: none"> Discuss the importance of directing
Elements of Directing		<ul style="list-style-type: none"> Describe the various elements of
		directing
Motivation - concept, Maslow's hierarchy of		Understand the concept of
needs, Financial and non-financial incentives		motivation.
		<ul style="list-style-type: none"> Develop an understanding of
		Maslow's Hierarchy of needs.
		<ul style="list-style-type: none"> Discuss the various financial and
		non-financial incentives.
Leadership - concept, styles - authoritative, democratic and laissez faire		Understand the concept of
		leadership.
		<ul style="list-style-type: none"> Understand the various styles of
		leadership.
Communication - concept, formal and informal		Understand the concept of
communication;		communication
		<ul style="list-style-type: none"> Discuss the concept of formal and
		informal communication.
Unit 8: Controlling		
Controlling - Concept and importance		Understand the concept of controlling.
		<ul style="list-style-type: none"> Explain the importance of controlling.
Steps in process of control		Discuss the steps in the process of controlling.
Part B: Business Finance and Marketing		
Unit 9: Financial Management		
Financial Management: Concept, role and objectives		<ul style="list-style-type: none"> Understand the concept of financial management.
		<ul style="list-style-type: none"> Explain the role of financial management in an organisation.
		<ul style="list-style-type: none"> Discuss the objectives of financial management
Financial decisions: investment, financing and dividend- Meaning and factors affecting		<ul style="list-style-type: none"> Discuss the three financial decisions and the factors affecting them.

Financial Planning - concept and importance	<ul style="list-style-type: none"> • Describe the concept of financial planning. • Explain the importance of financial planning.
Capital Structure – concept and factors affecting capital structure	<ul style="list-style-type: none"> • Understand the concept of capital structure. • Describe the factors determining the choice of an appropriate capital structure of a company.
Fixed and Working Capital - Concept and factors affecting their requirements	<ul style="list-style-type: none"> • Understand the concept of fixed and working capital. • Describe the factors determining the requirements of fixed and working capital.

Unit 10: Financial Markets

Financial Markets: Concept, Functions and types	Understand the concept of the financial market. <ul style="list-style-type: none"> • Explain the functions of the financial market. • Understand capital market and money market as types of financial markets.
Money market and its instruments	<ul style="list-style-type: none"> • Understand the concept of the money market. • Describe the various money market instruments
Capital market: Concept, types (primary and secondary), methods of floatation in the primary market	<ul style="list-style-type: none"> • Discuss the concept of capital market. • Explain primary and secondary markets as types of capital market. • Differentiate between capital market and money market. • Discuss the methods of floating new issues in the primary market. • Distinguish between primary and secondary markets.
Stock Exchange – Meaning, Functions and trading procedure	<ul style="list-style-type: none"> • Give the meaning of a stock exchange. • Explain the functions of a stock exchange. • Discuss the trading procedure in a stock exchange. • Give the meaning of depository services and demat account as used in the trading procedure of securities
Securities and Exchange Board of India (SEBI) - objectives and functions	<ul style="list-style-type: none"> • State the objectives of SEBI. • Explain the functions of SEBI.

Unit 12: Consumer Protection

Consumer Protection: Concept	Understand the concept of consumer protection.
The Consumer Protection Act, 2019: Source: http://egazette.nic.in/WriteReadData/2019/210422.pdf Meaning of consumer Rights and responsibilities of consumers Who can file a complaint?	Understand the concept of a consumer according to the Consumer Protection Act, 2019. <ul style="list-style-type: none"> • Explain the consumer rights • Understand the responsibilities of consumers • Understand who can file a complaint and against whom? • Discuss the legal redressal machinery under

Redressal machinery Remedies available	Consumer Protection Act, 2019. ● Examine the remedies available to the consumer under Consumer Protection Act, 2019
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Chapter-6 STAFFING
Short Answer Type Questions (2 MARKS)
CCT & Case – Based questions

S.NO	QUESTIONS
1.	What is meant by Staffing?
2.	What is meant by Induction Training?
3.	How are employees motivated to improve their performance when the organisation uses internal sources of recruitment? State
4.	Give the meaning of 'Orientation' as a step in the process of 'Staffing'.
5.	Why is 'Aptitude Test' conducted in the process of selection?
6.	Why is 'employment interview' conducted in the process of selection?
7.	The workers of a factory remain idle because of lack of knowledge of hi-tech machines. Frequent visit of engineer is made which cause high overhead charges. How can this problem be removed?
8.	A company is manufacturing paper plates and bowls. It produces 1,00,000 plates and bowls each day. Due to local festival, it got an urgent order of extra 50,000 plates and bowls. Explain the method of recruitment that the company should adopt in the given circumstances to meet the order.
9.	Why employees become lethargic when the organisation uses internal sources of recruitment? State.
10.	Ankita Enterprises is a company engaged in the marketing of air-conditioners of a famous brand. The company has a functional structure with four main functions—Purchase, Sales, Finance and Staffing. As the demand for the product grew, the company decided to recruit more employees. Identify and explain the concept which will help the Human Resource Manager to find out the number and type of personnel available so that he could decide and recruit the required number of persons for each department.
11.	Sahil the director of Garments manufacturing Company is planning to manufacture bags for the utilization of waste material of one of his garments unit. He decided that his manufacturing unit will be getting up in a rural area of Orissa where people have very less job opportunities and labour is available at very low rate. He also thought of giving equal opportunities to men and women. For this he selected S. Chatterjee, Indrajeet Kaur, Aslam and Sarabjeet as heads of Sales, Accounts, Purchase and Production departments. Identify and state the next two steps that Sahil has to follow in the staffing process after selecting the above heads.
12.	Alpha Enterprises is a company manufacturing water geyser. The company has a functional structure with four main functions— Production, Marketing, Finance and Human Resource. As the demand for the product grew, the company decided to hire more employees. Identify and explain the concept which will help the Human Resource Manager in deciding the actual number of persons required in each department.
13.	Aditya Rubbers is thinking of knowing the worth of its employees but it is unable to do so yet. The firm now has decided to include a step in its staffing process through which it can judge the performance of its employees. Name and explain the step which organisation will include. Name two more other steps in the staffing process which precede this step.
14.	Mohit Gupta is working with Yellow Security Services Ltd. He is also recruiting security guards for the company. The company provides security services in Delhi and Noida at short notice to various companies. The guards are recruited on a temporary basis. The guards provided by this company are known for their honesty and punctuality. Mohit Gupta is well-known in his village for providing employment to unskilled people.

	1.Name the source of recruitment used by Yellow Security Services Ltd. 2. State any one disadvantage of this source of recruitment.
15.	Why are internal sources of recruitment considered more economical?

Short answer type Questions (3 Marks)

CCT & Case – Based questions

S.NO.	QUESTIONS
1.	Explain ‘Internship training’ and ‘vestibule training’ and classify them as on-the-job and off-the-job methods of training.
2.	State any three limitations of using internal sources of recruitment.
3.	Distinguish between training and development.
4.	Race Tech Ltd. is one of the top IT companies in India. The company does mass recruitment each year from different colleges offering fresher level job to the final year students. This helps in recruiting the brightest and the best available talent in the educational institutions. In context of the above case: 1. Identify and state the source of external recruitment adopted by the company. 2. Explain briefly any two advantages of using the external sources of recruitment.
5.	“Recruitment is positive but selection is negative”. Justify the statement.
6.	Explain briefly ‘Casual Callers’ and ‘Labour Contractors’ as external sources of recruitment.
7.	Suraj runs an NGO under the name ‘Sarathak’ in Delhi. The organization is engaged in offering waste paper recycling services to all kinds of institutions in the Delhi NCR region. It also manufactures custom made paper stationery out of recycled paper on order for the interested institutions at a very competitive price. The website of ‘Sarathak’ provides a link to a Careers site where in the people desirous of joining the NGO can use simple Job Search to find the right opportunity for them. The NGO also keeps a database of unsolicited applicants in its office so that job seekers may be notified of future opportunities when they arise. In context of the above case: Identify and explain the two sources of external recruitment being used by the NGO ‘Sarathak’ by quoting lines from the paragraph.
8.	Identify and explain the various concepts being described in the following lines. (a). It involves putting the right person at the right place. (b). Shifting an employee to a higher position (c). Under this method of training , the trainee works under the guidance of a master worker.
9.	Prashant, the Director of a company, is planning to manufacture rugs for utilising waste materials from one of his garment factories. He decided that this manufacturing unit will be set-up in a rural area so that people of that area will have more job opportunities. For this, he wanted four different heads for Sales, Accounts, Purchase and Production Departments. He decided that one of them will be a differently-abled person, another from a minority community and one from a disadvantaged section of society. He gave an advertisement in the newspaper for the above vacancies. Identify and state the next three steps Prashant has to follow in the staffing process after advertising for the above vacancies.
10.	The quality of production is not as per standard. On investigation it was observed that most of the workers were not fully aware of proper operation of the machinery. What could be the way to improve the accuracy?
11.	Bhavna Ltd. is highly reputed company. The employees of this organization discussed how they came in contact with this organization. Reena said she was introduced by the Purchase manager

	<p>(Mr. John). Neetu said she applied through newspaper and was appointed as Finance manager. Indu said she was directly called by the company from her IIM institute after completing MBA.</p> <ol style="list-style-type: none"> 1. Identify the different sources of recruitment. 2. Name the function of management discussed in above para.
12.	<p>Name and explain the methods of training:</p> <ol style="list-style-type: none"> 1. The trainee learns under the guidance of a master worker. 2. Trainees learn on the equipment they will be using, but training is conducted away from the actual work floor. 3. Trainees work in some factory or office to acquire practical knowledge and skills along with regular studies

Long answer type questions (5 MARKS) CCT & Case – Based questions

1.	Explain the procedure for selection of employees.
2.	What are the advantages of training to the individual and to the organisation?
3.	<p>Sunidhi runs a KPO (Knowledge Process Outsourcing) in Gurgaon. The services provided by her firm include all kinds of research and information gathering in fields such as financial market, medicine, animation and design, etc. Sunidhi believes that the success of the company can be achieved mainly through the people it chooses as employee. Therefore, she aims to attract the best people and provides them innumerable opportunities to enhance their knowledge and skill relevant to their position. In context of the above case, identify and explain the aspects of staffing being taken into consideration by Sunidhi by quoting lines from the paragraph.</p>
4.	<p>Ashish, the Marketing Head, Raman, the Assistant Manager and Jyoti, the Human Resource Manager of Senor Enterprises Ltd. decided to leave the company. The Chief Executive Officer of the company called Jyoti, the Human Resource Manager and requested her to fill up the vacancies before leaving the organisation. Informing that her subordinate Miss Alka Pandit was very competent and trustworthy, Jyoti suggested that if she could be moved up in the hierarchy, she would do the needful. The Chief Executive Officer agree for the same. Miss Alka Pandit contacted Keith Recruiters who advertised for the post of marketing head for Senor Enterprises Ltd. They were able to recruit a suitable candidate for the company. Raman's vacancy was filled up by screening the database of unsolicited applications lying in the office.</p> <ol style="list-style-type: none"> 1. Name the internal/external sources of recruitment used by Senor Enterprises Ltd. to fill up the above stated vacancies. 2. Also state any one merit of each of the above identified source of recruitment.
5.	<p>A company X Ltd. Is setting up a new plant in India for manufacturing auto components? India is highly competitive and cost-effective production base in this sector, X Ltd. Is planning to capture about 40% of the market share in India and also export to the tune of at least \$5 million in about 2 years of its planned operations. To achieve these targets, it requires a highly trained and motivated work force. You have been appointed by the company to advise it in this matter.</p> <ol style="list-style-type: none"> i. Which sources of recruitment should the company rely upon? Give reasons for your recommendation. ii. Which methods of training and development should company initiate?
6.	<p>Blue Heavens Ltd. purchased a new machinery from Germany for manufacturing some auto components. It was a cost-effective and quality production machine but during the production process, manager observed that the quality of the production was not as per standards. On investigation, it was found that there was lack of knowledge of using these hi-tech machines. So, frequent visits by engineers were required from Germany but this resulted in high overhead charges. Suggest what can be done to develop the skills and abilities of employees for producing</p>

	quality products by using these hi-tech machines. Also state how the employees or the organisation will be benefited by your suggestion.
7.	<p>Nakul belongs to a small village in Varanasi. Being the only literate person in his immediate family, he decides to settle in a city. So he opens a sweets shop in Chandni Chowk, Delhi as he possesses extraordinary culinary skills. Very soon he starts getting requests from his cousins in the village to engage them in some kind of job in his business. Considering it to be his moral obligation, he engages five of his cousins in his business without paying any specific attention to their individual capabilities. This leads to wastage of materials, time, effort and energy, resulting in lower productivity and poor quality of products. As a result, the profitability of his business starts falling. Soon, he realised that for the success of the business it is essential that right kind of people must be available in right number at the right time.</p> <p>In the context of the above case:</p> <ol style="list-style-type: none"> 1. Identify and explain the function of management that has been overlooked by Nakul. 2. Describe briefly the importance of the function of management as identified in part (1).
8.	A company X limited is setting up a new plant in India for – manufacturing auto components. India is a highly competitive and cost -effective production base in this sector. Many reputed car manufacturers source their auto components from here. X limited is planning to capture about 40% of the market share in India and also export to the tune of at least \$ 5 million in about 2 years of its planned operations. To achieve these targets, it requires a highly trained and motivated work force. You have been retained by the company to advise steps in this matter. While giving answer keep in mind the sector, the company is operating .
9.	A company x Ltd. is setting up a new plant in India for manufacturing auto components. India has highly competitive and cost-effective production base in this sector. X Ltd. is planning to capture about 40% of the market share in India and also export to the tune of at least \$5 million in about 2 years of its planned operations. To achieve these targets, it requires a highly trained and motivated workforce. You have been retained by the company to advise it in this matter. (i) Which sources of recruitment the company should rely upon? (ii) Which methods of training should company initiate?
10.	Internal sources of recruitment are better than external sources of recruitment. Explain by giving reasons in support of the statement
11.	Which source of recruitment is needed to bring new blood in the organisation? Explain any three advantages and any two limitations of this source.
12.	<p>Prateek has started an advertising agency in Gurgaon. One of the page on his company's website contains the following information, "Welcome to all the visitors of this page who are looking for an opportunity to make a career in the field of advertising. The opportunities are available in the company at various levels, so don't miss the chance." This page includes a link to provide further details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on. Through a continuous assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives and in relation to the number and type available, he gets the information on this page updated.</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> 1. Identify and explain the steps in the staffing process being carried out by Prateek by quoting lines from the paragraph. 2. Name the concept that relates to the details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on.

Answer Key
Short Answer (2 marks) Staffing

S.no.	Answers
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1.	Staffing is the managerial function of filling and keeping filled positions in the organisation structure.
2.	Induction training means introducing the selected employees to other employees and familiarising him with the rules and policies of the organisation.
3.	A promotion at a higher level may lead to chain of promotions at lower levels in an organisation. This motivates the employees to improve their performance through learning and practice.
4.	It is introducing the selected employee to other employees and familiarising him with the rules and policies of organisation.
5.	An aptitude test is conducted to measure and scale the applicant's potential for learning a skill. Aptitude test helps, the organisation to know whether the employees has capacity to learn new talent.
6.	An employment interview is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job in the process of selection. At the same time the interviewee may also seeks information from interviewer (if needed).
7.	In this case, to overcome the mentioned problem the workers need to be trained to handle the new machines and for this, vestibule training method would be the most appropriate. Vestibule training means to learn their jobs of the equipment they will be using but the training is conducted away from the work floor.
8.	In order to complete the order in time, more people are required at short notice. Thus, labour contractor should be approached, who can provide a large workforce at a short notice.
9.	The spirit of competition among the employees may be hampered as they are likely to expect automatic promotion because of seniority. Thus, they are least interested in work and become lethargic.
10.	Workforce analysis:- It means analysing existing workforce or employees already occupying the job positions and how many of them are overburdened or under burdened.
11.	<p>The next two steps that Sahil has to follow in the staffing process are:</p> <p>a) Placement and Orientation:- Placement refers to the process of giving the charge of the job for which the employees have been appointed. Orientation may involve a series of activities related to introducing the new employee to other employees and familiarising him with the rules and policies of the organisation. Moreover, he is taken around the workplace and made aware of the fire safety policy, canteen, conference room etc.</p> <p>b) Training and development. Organisations either have in-house training centres or make alliances with training and educational institutes. This is done to ensure continuous learning of their employees in order to strengthen their competencies for both present and future jobs. This helps to motivate them and enables them to perform better and contribute more towards the realisation of the organizational effectiveness and efficiency.</p>
12.	Workload Analysis will help the Human Resource Manager in deciding the actual number of persons required in each department. This requires finding number and type of employees required to perform various jobs designed in organisational structure.
13.	The step discussed here is 'Performance Appraisal'. It is a process of evaluating the worth of an employee to the organisation. It may be done in both formal and informal way. The process performance appraisal includes defining the job, appraising performance and providing feedback. The following two steps in the process of staffing are: i) Placement and Orientation. (ii) Training and Development
14.	<ol style="list-style-type: none"> 1. External source of recruitment i.e. Labour contractor has been used by Yellow Security Services Ltd. 2. One disadvantage of the external source of recruitment is that the new employees may take longer time to settle in the organisation.
15.	Filing of Jobs internally is cheaper as compared to getting candidates from external sources because only transfer or promotion has to be done. It does not involve the long process of staffing or selection that increases the cost in the form of more time, money and efforts in recruiting.

Short Answer (3 marks)

Short Answer (5 marks)

1.	<p>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.</p> <p>Vestibule training; Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. Actual work environments are created in a class room and employees use the same material, files and equipment. This is usually done when employees are required to handle sophisticated machinery and equipment.</p> <p>Internship training can be classified as On-the-job method of training Vestibule training can be classified as off-the-job method of training.</p>																	
2	<p>Limitations of internal sources of recruitment are as follows:</p> <p>(i) No scope for fresh talent Internal sources may not be able to bring new competent fresh talent, ideas and latest technical know-how.</p> <p>(ii) Not suitable for new organisation A new enterprise cannot use internal sources of recruitment. No organisation can fill all its vacancies from internal sources.</p> <p>(iii) Limited choice -The choice is limited as the recruitment can be made only out of the candidates available within the organisation.</p> <p>(iv) Employees become lethargic- The employees may become lethargic if they are sure of time bound promotions. (any three)</p>																	
3.	<p>Comparison of Training and Development</p> <table><tr><th>Basis</th><th>Training</th><th>Development</th></tr><tr><td>Meaning</td><td>It means imparting skills and knowledge doing a particular job</td><td>It means growth of an employee in all respects.</td></tr><tr><td>Purpose</td><td>It is concerned with maintaining and improving current job performance.</td><td>It seeks to develop competence and skills for future performance</td></tr><tr><td>Method</td><td>It is imparted through on the job method.</td><td>It is imparted through off the job method.</td></tr><tr><td>Duration</td><td>Training programmes are organized for short terms.</td><td>Training programmes are organized for short terms.</td></tr></table>			Basis	Training	Development	Meaning	It means imparting skills and knowledge doing a particular job	It means growth of an employee in all respects.	Purpose	It is concerned with maintaining and improving current job performance.	It seeks to develop competence and skills for future performance	Method	It is imparted through on the job method.	It is imparted through off the job method.	Duration	Training programmes are organized for short terms.	Training programmes are organized for short terms.
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4.	<p>1.Campus Recruitment is the source of external recruitment adopted by the company. Sometimes the senior manager of the organisations visit professional colleges, technical institute to get fresh graduates. The organisations prefer fresh graduates because they can be moulded according to the requirements of the organisation.</p> <p>2 Explain any two advantage</p> <p>Merits of External Sources</p> <p>1. Qualified Personnel: By using external source of recruitment the management can attract qualified and trained people to apply for the vacant jobs in the organization.</p> <p>2. Wider Choice: The management has a wider choice in selecting the people for employment.</p> <p>3. Fresh Talent: It provides wider choice and brings new blood in the organization.</p> <p>4. Competitive Spirit: If a company taps external sources, the staff will have to compete with the outsiders.</p>																	
5.	<p>Recruitment is a positive process because it involves searching for prospective employees and stimulating them to apply for the job. here, the company is making all candidates to apply for the job, hence it is a positive action. where as in selection process, there involves an action of elimination of all unsuitable candidates and choosing only the right ones. and therefore, it is a negative process</p>																	
6.	<p>1. Casual callers: Casual callers is considered to be relatively cheaper source of recruitment in comparison to the other sources. This is because the organizations have to primarily maintain a database in their offices of the unsolicited applicants who sent</p>																	

	<p>their resume in anticipation of job prospects. As an when a vacancy arises in the organization such job-seekers may be screened.</p> <p>2. Labour contractors: Labour contractors proves to be a very useful resource for appointing the required number of unskilled workers at short notice. However, if the labour contractors who themselves are the employees of the organization decide to leave it for any reason then all the workers recommended by him are also likely to leave the work along with him.</p>
7.	<p>The two sources of external recruitment being used by the NGO ‘Sarthak’ are as follows: Lines (i) “The website of ‘Sarthak’ provides a linkright opportunity for them”. Web Publishing: Internet is becoming a common source of recruitment these days. There are certain websites specifically designed and dedicated for the purpose of providing information about both job seekers and job opening. (ii) “The NGO also keeps a database..... future opportunities when they arise. Casual Callers: Many reputed business organizations keep a data base of unsolicited applicants in their office. A list of such job-seekers can be valuable source of manpower. This list can be used for Recruitment.</p>
8.	<p>a. staffing- staffing is the managerial function of filling and keeping filled positions in the organisation structure. b. promotion- A promotion at a higher level may lead to chain of promotions at lower levels in an organisation. This motivates the employees to improve their performance through learning and practice c. apprenticeship training- Under this, the trainee is placed under supervision of an experienced person (master worker) who imparts him necessary skills and regulates his performance.</p>
9.	<p>The next three steps to be followed by Prashant in the staffing process after advertising for the above vacancies are as follows:</p> <ul style="list-style-type: none"> ☐ Selection: Selection is the process of choosing the best candidate from a pool of applicants. ☐ Placement and Orientation: Placement refers to the process of giving the charge of the job for which they have been appointed. Orientation may involve a series of activities related to introducing the new employee to other employees and familiarising him with the rules and policies of the organisation. Moreover, he is taken around the workplace and made aware of the fire safety policy, canteen, conference room etc. ☐ Training and Development: Organisations either have in-house training centres or make alliances with training and educational institutes. This is done to ensure continuous learning of their employees in order to strengthen their competencies for both present and future jobs. This helps to motivate them and enables them to perform better and contribute more towards the realisation of the organizational effectiveness and efficiency.
10.	<p>Workers are needed to be given appropriate training to make them learn use of machinery and most suitable method in this case is apprenticeship training. It is on-the-job method of training. The workers seeking to enter skilled traits, e.g., to become plumbers, electricians or iron workers are required to undergo apprenticeship training for a prescribed time period (which may vary from 2 to 5 years). Apprenticeship training puts the apprentices (trainees) under the guidance of a master worker or an experienced guide or trainer.</p>
11.	<p>(i) (a) Reena’s source of recruitment recommendation from existing staff. (b) Neetu’s source: Media advertising (c) Indu’s source: Campus recruitment</p>

	(ii) Function discussed in above para is staffing
12.	<p>1. Apprenticeship training: - Under this, the trainee is placed under supervision of an experienced person (master worker) who imparts him necessary skills and regulates his performance.</p> <p>2. Vestibule training: - Under this method, actual work environments are created in a class room and employees use the same materials, files and equipment. This method is extremely useful when employees are required to handle expensive, delicate and sophisticated equipment.</p> <p>3. Internship training: - Under this method an educational institute enters into agreement with industrial enterprises for providing practical knowledge to its students by sending them to business organizations for gaining practical experience.</p>

Long Answers (5 MARKS)

1.	<p>The successive stages in selection process are:</p> <p>1. Preliminary Screening: After applications have been received, they are properly checked as regarding qualification etc. by screening committee. A list of candidates to be called for employment tests made and unsuitable candidates are rejected altogether.</p> <p>2. Selection Tests: These tests include:</p> <p>(a) Psychological tests which are based on assumption that human behaviour at work can be predicted by giving various tests like aptitude, personality test etc.</p> <p>(b) Employment test for judging the applicant's suitability for the job.</p> <p>3. Employment Interviews: The main purpose of interview is:</p> <p>(a) to find out suitability of the candidates.</p> <p>(b) to seek more information about the candidate.</p> <p>(c) to give the candidate an accurate picture of job with details of terms and conditions.</p> <p>4. Reference Checks: Prior to final selection, the prospective employer makes an investigation of the references supplied by the applicant. He undertakes a thorough search into candidate's family background, past employment, education, police records etc.</p> <p>5. Selection Decisions: A list of candidates who clear the employment tests, interviews and reference checks is prepared and then the selected candidates are listed in order of merit.</p> <p>6. Medical/Physical Examination: A qualified medical expert appointed by organization should certify whether the candidate is physically fit to the requirements of a specific job. A proper physical exam will ensure higher standard of health & physical fitness of employees thereby reducing absenteeism.</p> <p>7. Job Offer: After a candidate has cleared all hurdles in the selection procedure, he is formally appointed by issuing him an Appointment Letter. The broad terms and conditions, pay scale are integral part of Appointment Letter.</p> <p>8. Contract of Employment: After getting the job offer, the candidate has to give his acceptance. After acceptance, both employer and employee will sign a contract of employment which contains terms & conditions, pay scale, leave rules, hours of work, mode of termination of employment etc.</p> <p>Nishant wants to set a unit in rural area where people have very few job opportunities and labour is available at a low cost.</p>
2.	<p>Benefits to the Employee</p> <p>(i) Better career opportunities due to improved skills and knowledge.</p> <p>(ii) Earnings can be increased due to improved performance.</p> <p>(iii) Trained workers can handle machines more efficiently.</p> <p>(iv) Employees always remain motivated and satisfied.</p> <p>Benefits to the Organisation</p> <p>(i) Training is a systematic learning which reduces the wastage of efforts and money.</p> <p>(ii) Enhances employee productivity.</p>

	<p>(iii) Training helps a manager to handle an emergency situation.</p> <p>(iv) Training motivates workers and thus reduces absenteeism.</p>
3.	<p>The three aspects of staffing being taken into consideration by Sunidhi are as follows:</p> <ol style="list-style-type: none"> 1. Recruitment: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. “she aims to attract the best people” 2. Selection: Selection is the process of choosing the best candidate from a pool of applicants. “Sunidhi believes that the success of the company can be achieved mainly through the people it chooses to employ.” 3. Training: Training helps to upgrade the knowledge and skills of the employees so that their ability to perform in the present job can be enhanced. “..provides them innumerable opportunities to enhance their knowledge and skill relevant to their position.”
4.	<ol style="list-style-type: none"> 1. The internal and external sources of recruitment used by Senor Enterprise Ltd. to fill up the above stated vacancies are stated below: <ol style="list-style-type: none"> (a) The vacancy for the post of Human Resource Manager has been filled up through Promotion. (b) The vacancy for the post of Marketing Head has been filled up through the Placement Agencies and Management Consultants. (c) The vacancy for the post of Assistant Manager has been filled up through Casual Callers. 2. The relative merit of each of the internal and external sources of recruitment used by Senor Enterprise Ltd. to fill up the above stated vacancies are stated below: <ol style="list-style-type: none"> (a) Promotion: It boosts the morale of not only the employee who is promoted but also of other employees as they get an assurance that their competence will also be recognised in due course. (b) Placement Agencies and Management Consultants provide specialised services to the organisations to recruit technical, professional and managerial personnel at middle and top level. (c) Casual Callers as a source of recruitment reduces the cost of recruiting workforce in comparison to other sources.
5.	<p>(I) Company should rely upon external source of recruitment as companies require setting up a new plant and large number of manpower with latest technology.</p> <p>Reasons for relying on external sources are:</p> <ol style="list-style-type: none"> a) Fresh Talent. With external recruitment fresh and new talent come to the organization. b) Wider Choice. Through external recruitment the organization gets wider choice. c) Qualified Personnel. By using external recruitment, the management can get qualified and trained persons. d) Latest Technological Knowledge. Through campus placement organization can get employees with latest technological knowledge. e) Competitive Spirit. Through external recruitment when outsiders join the organization, this develops a competitive spirit in existing employees of organization. <p>ii) Company should prefer following methods of training and development:</p> <p>a) Apprenticeship programme b) Vestibule school c) Internship training.</p>
6.	<p>Training should be provided to the employees to develop their skills and abilities for producing quality products by using these hi-tech machines.</p> <p>The benefits of imparting training to the employee are as follows:</p> <ol style="list-style-type: none"> 1. Better career: Training leads to better career opportunities for the employees as it helps to improve their skills and knowledge of doing the job. 2. Increased earnings: Training leads to increased performance by the employees thereby helping them to earn more. 3. Increased efficiency: Training makes the employees more efficient in handling machines and less prone to accidents. 4. Improved motivation: Training increases the satisfaction and morale of employees thereby motivating them to work with greater enthusiasm.

7.	<p>1. Staffing is the function of management that has been overlooked by Nakul. Staffing is the process of manning the roles designed into the organisational structure. It is concerned with obtaining, utilising and maintaining a satisfactory and satisfied work force.</p> <p>2. The importance of the staffing function of management is described below:</p> <ul style="list-style-type: none"> ☐ It helps in discovering and obtaining competent personnel for various jobs within an organisation. ☐ By putting right person on the right job, it leads to a higher performance of the employees. ☐ It ensures the continuous survival and growth of the enterprise through the succession planning for managers. ☐ It helps to ensure optimum utilisation of the human resources. By avoiding over manning, it prevents under-utilisation of personnel and high labour costs. At the same time, it avoids disruption of work by indicating in advance the shortages of personnel. ☐ It improves job satisfaction and morale of the employees through objective assessment and fair rewarding for their contribution.
8.	<p>The prime concern of the company is to hire the manpower who are highly trained and motivated. In order to achieve the targets, the company should follow the selection under staffing process in this manner.</p> <p>First step preliminary screening helps the manager to select among those candidates whose applications are selected.</p> <p>Second step is selection test it is to be conducted to check the practical knowledge of the candidate.</p> <p>Third step interview is to be taken of those candidates who qualify the test. A panel of experts is called which are identifying the best among hundreds.</p> <p>Fourth step is selection decision. The candidates who pass the test, interview included in selection list and critically examined that they are best or not.</p> <p>Fifth step is examining their medical fitness they are efficient or not.</p> <p>Sixth step is to offer the job, providing them a letter of appointment in which terms and conditions are mentioned.</p> <p>The final step is contract of employment when candidate accepts the job-offer they signed the contract of employment, the employer and candidate exchange certain documents.</p>
9.	<p>1. The company should rely upon the following external sources of recruitment because it is setting up a new plant and requiring large number of employees with latest technology. So, it needs to recruit technical, professional and managerial personnel.</p> <ul style="list-style-type: none"> Advertisement Management consultants Campus recruitment. <p>2. The company should initiate following methods of training</p> <ul style="list-style-type: none"> Apprenticeship training Vestibule training Internship.
10.	<p>Internal sources of recruitment are better than external sources in the following respects: (Any four)</p> <p>(i) Economical sources Internal sources are less time consuming and less expensive because the organisation and the employees are already known to each other.</p> <p>(ii) Simplifies the process of selection Since, the employees are already known to the organisation, therefore, the process of selection and placement gets simplified.</p> <p>(iii) Motivates employees Filling higher level jobs through promotion helps to improve the motivation and morale of employees as they know that they can be promoted to senior position in the organisation if they work harder for the organisation.</p> <p>(iv) Sense of security Internal recruitment creates a sense of security among the staff.</p> <p>(v) No problem in adjustment As the organisation and the employees are familiar with each</p>

	other, this leads to smooth functioning of the enterprise without any problem in adjustment on the part of the new employees or the organisation.
11.	<p>External source of recruitment is needed to bring new blood in the organisation. It is preferred whenever large number of job positions are vacant. Under this, the organisation meets its manpower requirement from outside the organisation.</p> <p>The three advantages of external sources of recruitment are as follows:</p> <p>(i) Fresh talent The entry of fresh talent into the organisation is encouraged. New employees bring new ideas to the organisation.</p> <p>(ii) Latest technological knowledge Through campus placement, organisation can get employees with latest technical know-how.</p> <p>(iii) Competitive spirit When outsiders join the organisation, this develops a competitive spirit in existing employees of the organisation.</p> <p>Limitations of external sources of recruitment are as follows: (Any two)</p> <p>(i) Employees may not adjust according to the rules and regulations of the company The new employees may not adjust themselves as per the rules and regulations of the organisation which means more chances of employee turnover.</p> <p>(ii) Costly It is expensive to invite the outsiders to apply for the vacant job positions. Companies have to bear heavy burden of advertising.</p> <p>(iii) Time consuming It is a lengthy process as external recruitment takes more time</p>
12.	<p>1. The two steps in the staffing process being carried out by Prateek are as follows:</p> <p>(a) Estimating the Manpower Requirements: It is the first step in the staffing process and is carried out with the help of workload analysis (assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives) and work force analysis (assessment of the number and type available). “Through a continuous assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives and in relation to the number and type available.”</p> <p>(b) Recruitment: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. “One of the pages on his company’s website contains the following information, “Welcome to all the visitors of this page who are looking for an opportunity to make a career in the field of advertising. The openings are available in the company at various levels, so don’t miss the chance. “This page includes a link to provide further details about the vacancies available.” “he gets the information on this page updated.”</p> <p>2. Job description is the concept that relates to the details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on.</p>

QUESTION BANK CHAPTER -7 DIRECTING

2 MARKS QUESTIONS

1. Explain in brief, 'Directing' as a function of management.
2. "Directing is not required at all in management of an organisation." Do you agree? Give two reasons in support of your answer.
3. Briefly explain any two elements of 'Directing'.
4. Why it is said that directing takes place where ever superior subordinate relationship exists?
5. Aashita Ltd. Assured their employees that in spite of the recession, no workers will be retrenched from their jobs. Name and explain the type of incentive offered to the employees.
6. Mihir was a supervisor at 'Perfect Fit Textile' company. The company was producing 200 shirts every day. His job was to make sure that the work went on smoothly and there was no interruption in production. He was a good leader who would give order only after consulting his subordinates and work-out the policies with the acceptance of the group. Identify and describe the leadership style being adopted by Mihir.
7. Explain any two features of Motivation.
8. How does motivation improve the efficiency of workers in an organisation? Give any two reasons.
9. What is meant by 'Need Hierarchy'?
10. What are incentives?
11. What is meant by financial incentives? Give any two examples of it.
12. Define non-financial incentives.
13. Name and explain any one feature of the process of exchange of information between two or more persons to reach common understanding.

3 MARKS QUESTIONS:

1. "Every action in the organisation is initiated through directing." Explain any three points of importance of directing in the light of this statement.
2. "The performance of an organisation depends upon how a supervisor instructs and guides the subordinates at operative level." Explain.
3. How does motivation improve the efficiency of workers in an organisation? Give any three points
4. Explain briefly any three elements of 'directing'.
5. "Direction is the least important function of management." Do you agree with this statement? Give any two reasons in support of your answer.
6. Suhana is a successful manager at Kapur & sons Enterprises. She has a team of twelve people working under her. She encourages them to set their own objectives and take decisions. She respects their opinions and supports them, so that they can perform their duties and accomplish organizational objectives. To manager and exercise effective control she uses forces within the group.
As an intelligent manager, at times, she also makes use of positive aspects of informal communication. This way, she is able to unify diverse interests and ensure the targets are met.
(a) There are many theories and styles of influencing people's behaviour. Identify the style used by suhana which is based on the use of authority.
(b) State two positive aspects of the communication discussed above, which Suhana is using as an intelligent manager.
7. Samira is working in a Star 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. Samira worked overtime, due to which she felt 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 still while some other needs still remained to be fulfilled.
(a) By quoting the lines from the above para, identify the needs of Suhana which she is able to fulfil.
(b) Also explain two other needs of Suhana followed by the above needs, which still remained to be satisfied.

5 MARKS QUESTIONS

1. Swara had been working as an assistant manager with Kabir Enterprises for the last ten years. She was very popular amongst her colleagues because of her commitment and dedication towards the work. When the manager senior to her retired, all her colleagues thought that now Swara would be promoted. But to everyone's surprise the vacant post was filled by an outsider, Mrs. Roma. Swara felt demoralised and her performance started declining. She would abstain herself often and could not meet her targets.

Mrs. Roma was a good leader, who would not only instruct her subordinates but would also guide and inspire them. She noticed Swara's behaviour and felt that her performance could be improved. She started involving Swara in decision making-issues related to the organisation and made her a part of high-level joint-management committee. Swara was now punctual in office and her performance started improving.

(a) Identify and explain the function of management being performed by Roma.

(b) Name and explain the element of the above function of management which helped Roma to improve Swara's behaviour.

(c) state any three features of the element identified in (b).

2. Ananya has started his own consultancy firm under the name 'Lucky' after working for five years in a company as a wedding planner. Considering the fact that she is into a labour-intensive business and motivation is a complex process, Ananya wants to offer such rewards and benefits that will help to fulfil the various needs of the employees and will inspire them to give their best to the organisation.

In the context of the above case:

(a) Why is motivation considered to be a complex process?

(b) Name the various types of needs that exist in a hierarchy within every human being. Also suggest any two suitable incentives for each of these that Ananya may offer to his employees.

3. Aahana has started a designer studio in the basement of her residence after completing her masters in fashion designing. She has appointed ten employees to take care of the various aspects of the work. She interacts regularly with each employee to tell exactly what is expected of him/her and what he/she needs to do to be regarded as a good performer. At the same time, she allows a free work environment where in the employees openly chit chat with each other in order to fulfil their social and emotional needs. Sometimes, these interactions also lead to spreading rumours which are not authentic.

In the context of the above case:

(a) Name and explain the two types of communication being referred to in the above paragraph.

(b) Explain any one advantage and one disadvantage of the types of communication identified above.

4. Vivan has set up a small-scale manufacturing unit for making different varieties of low-cost detergents. In order to market his product, he has employed a team of five salesman. Each salesman has been assigned specific areas in the city. He holds a meeting every month for determining the objectives of achieved during the coming month. A sales target is predetermined for each month which is mutually agreed by both Vivan and his sales team. If the salesmen succeed in reaching this target a bonus is paid out to all of them along with the monthly salary.

In context of the above case:

(a) What style of leadership is adopted by Vivan? Explain by quoting lines from the para.

(b) Name the non-financial incentive being offered to the salesmen by seeking their involvement in deciding the monthly targets of the firm.

5. Pranav works as a banquet manager in a hotel. He feels highly motivated at his job because the work that is assigned to him frequently involves variety of challenges. He is given more autonomy and responsibility and provided with ample opportunities for personal growth and a meaningful work experience.

In context of the above case:

(a) Define the term 'motivation'.

(b) Name the measures used to motivate the employees to improve performance ? Write its types

(c) Identify the type of non-financial incentive being offered to Pranav.

ANSWER KEY

2 MARKS QUESTIONS

1. Directing as a function of management is concerned with instructing, guiding and inspiring people in the organisation to achieve its objective. It is that part of management process which ensures the efficiency and effectiveness of the employees.
2. No, I do not agree with this statement, due to the following reasons:
 - a) Directing initiates action by guiding, leading, harmonising and managing the human elements in an organisation to achieve the desired goals. Without directing, all other managerial functions will become ineffective.
 - b) It is through directing the management helps people to see how they can satisfy their needs and utilise their capabilities to contribute towards the organisational objectives.
3. Two elements of directing
 - (i) Supervision: It refers to monitoring the progress of work of one's subordinates and guiding them properly.
 - (ii) Motivation: It refers to that process which excites people to work for attainment of the desired objective.
4. In every organisation, directing function is performed by every manager regardless of the level of management from top executive to supervisor. Therefore, it is said that directing takes place wherever superior subordinate relations exist.
5. The type of incentive offered to the employees is job security. It is a non-financial incentive. In order to fulfil their safety needs, the employees want certain stability about future income and work. As a result they feel motivated and give better job performance.
6. As a supervisor of 'Perfect Textile' Mihir has adopted the democratic style of leadership.

In this type of leadership style, the members of the group take a more participative role in the decision – making process. Everyone is given the opportunity to participate, ideas are exchanged freely, and discussion is encouraged.
- 7.(i) It is psychological phenomenon. Motivation is a state of desire which governs human behaviour.
(ii) Motivation results in goal directed behaviour. A motivated person works hard towards the achievement of desired goals.
8. Motivation improves the efficiency of the workers by:
 - i) Bridging the gap between the ability and the willingness to work.
 - ii) Stimulating people to action to accomplish desired goals.
9. Hierarchy of needs refers to the systematic arrangement of human needs in the order of their importance. Abraham H. Maslow, an American psychologist, has divided the needs of every human being into five categories- Physiological, safety, Affiliation, Esteem and self-actualisation needs. The needs range from the very basic survival to development of one's potential.
10. Incentives are the rewards or measures which are adopted to stimulate a worker to act in a manner desired by the management.
11. Financial incentives are those incentives which are evaluated in terms of money.
12. According to Dubin "Non –financial motivators are in the form of mental reward." It means that they are not directly related with money. They are helpful to satisfy the top hierarchy needs such as self – actualisation.
13. Communication.

Feature: The first important features of communication is that there must be a minimum number of two persons because no single individual can have an exchange of ideas with himself.

3 MARKS QUESTIONS

1. any three correct points-
 - i) Initiates action (ii) Provides balance in the Organisation (iii) Integrate employees' efforts

2. Supervisor is a managerial position in the organisational hierarchy just above the operative level. He guides the activities of the workers. The function and performance of the supervisor are vital to any organisation because he is directly related with workers whereas other managers have no direct touch with them. The efficiency of a supervisor is reflected in the performance of the workers.

3. Motivation improves the efficiency of the workers by:

- i) Bridging the gap between the ability and the willingness.
- ii) Stimulating people to action to accomplish desired goals.
- iii) Encouraging people to work better, and thereby increasing the productivity.

4. Supervision, Motivation and leadership (explain briefly).

5. No, I do not agree with this statement as directing is the most important function of management. It is also known as management-in-action.

Two reasons; -

- i) It initiates Action
- ii) It integrates Employees efforts

6. (a) Democratic Style.

(b) Two positive aspects of communication which Suhana is using as an intelligent manager are-

- * It carries information rapidly
- * It is helpful to know the reaction of his/her subordinates.

7. (i) 'Samira is working in a company on a permanent basis.'

According to above line Samira is able to fulfil her following needs:

(a) Physiological needs

(b) Safety and Security needs

(ii) Needs of Samira which still remained to be satisfied are:

(a) Affiliation Need: It refers to the need for affection, sense to belongingness, acceptance and friendship.

(b) Esteem Need: It refers to the need for self-respect, autonomy, status, recognition and attention.

5 MARKS QUESTIONS

1. (a) Directing-correct explanation

(b) Motivation- correct explanation

(c) Features of Motivation- any three features with explanation

2. (a) Motivation is considered to be a complex process as the individual may differ in their expectations, Perceptions and reactions. Therefore, the same type of motivation may not have uniform effect on all the persons.

(b) The various types of needs that exist in a hierarchy within every human being are stated below:

(i) Basic Physiological Needs

(ii) Safety and security Needs

(iii) Affiliation/Belonging Needs

(iv) Esteem Needs

(v) Self Actualisation Needs

Correct explanation of the above needs.

3. (a) The two types of communication being referred to in the above paragraph are formal communication and informal communication.

(b) Any one advantage and disadvantage of formal and informal communication.

4. (a) The democratic style of leadership is adopted by Vivan. A democratic leader encourages his subordinates to participate in the process of decision making. Thereby, the manager is able to motivate his subordinates to perform their best, as they themselves have set the goals.

"A sales target is pre-determined for each month which is mutually agreed by both Vivan and his sales team."

(b) Employees participation is the type of non-financial incentive that is being offered to the salesmen by seeking their involvement in deciding the monthly targets of the firm.

5. (a) Motivation refers to the process of stimulating people to action to achieve desired goals.

(b) The measures used to motivate the employees to improve performance are known as incentives. These incentives may be broadly classified as financial and non-financial.

(c) Job enrichment is the type of non-financial incentive being offered to Pranav.

CHAPTER- 8
CONTROLLING
SHORT ANSWER TYPE QUESTIONS (2 MARKS)
CCT & CASE – BASED QUESTIONS

Q 1. State the meaning of controlling

Q 2. Briefly explain the term ‘deviations’.

Q3. Hina Sweets is a renowned name for quality sweets since 1935. Harsh the owner of Hina Sweets was worried as the sales had declined during the last three months. When he enquired from the Sales Manager, the Sales Manager reported that there were some complaints about the quality of sweets. Therefore, Harsh ordered _____ for _____ sample _____ checking _____ of _____ sweets. Identify and state the step taken by Harsh that is related to one of the functions of management

Q 4. Yodesh is trying to reduce wastage of resources in his company. He is trying to do it in the best possible manner. He has set standards for performance of different types of activities and is doing his level best to perform according to these set standards to minimise wastage of resources. Things are not going to be over for him as he will have to look into other aspects too. He has set up a good monitoring system which helps him know how to employees are performing according to set standards as when the employees meet these standards, they will be given incentives. He is hoping to pull out a good performance from his team this year.

1. Which function of management has been referred to in the above case?

2. Which benefits of this function of management have been highlighted in the above case

Q 5. Rajni Ltd. is engaged in manufacturing machine components. The target production is 250 units per day per worker. The company had been successfully attaining this target until two months ago. Over the last two months it has been observed that daily production varies between 200-210 units per worker.

1. Name the function of management and identify the step in the process of this function which helped in finding out that the actual production of a worker is less than the set target.

2. To complete the process of the function identified in (a) and to ensure the performance as per set targets, explain what further steps a manager has to take.

Short answer type Questions (3 Marks)

CCT & Case – Based questions

Q 1. Explain how controlling helps in

(i) Accomplishing organisational goals; and

(ii) Judging accuracy of standards.

Q 2. ‘Controlling is forward looking’. Explain.

Q 3. GVR Ltd. is engaged in manufacturing machine components. The target production is 200 units per day. The company had been successfully attaining this target until two months ago. Over the last two months, it has been observed that daily production varies between 150-170 units.

1. Identify the management function to rectify the above situation.

2. Briefly state the procedure to be followed so that the actual production may come up to the target production.

Q 4. Chiranjeev has set up an export house after completing his masters in fashion designing. As the quality of the garment depends on the quality of raw material used, he assures that the fabric meets the requirements by conducting a series of tests for the fabrics like shrinkage test, testing colour fastness to washing, colour fastness to light, colour fastness to perspiration etc through laboratory tests. Later on, at the production areas, fabric inspection is also conducted by stopping the production process. The tests help to detect the deviations and also take corrective action. Moreover, he ensures that complete training about production work was given to every worker at the time of joining his export house. In context of the above case:

1. Identify the function of management being performed by Anubhav by conducting tests to assure for the quality of the garments manufactured in his export house.
2. Briefly explain the term 'deviations.'

Q 5. Raghav started a take away eating joint in a nearby market. His business was doing well. He ensured that the food was properly cooked, a standard taste was maintained, packing of food was done effectively and the orders were executed on time. But unfortunately, he met with an accident and was advised three months bed rest. In his absence, his cousin Rohit took charge of his business. When he resumed his work after three months, he realised that his clientele had dropped. The people were not happy with the services as the quality of food had deteriorated and the delivery time for orders had increased considerably. All this was happening because most of his previous staff had left as Rohit used to adopt a very strict and authoritative approach towards them.

In context of the above case:

1. List any two aspects about his business that Raghav was controlling in order to make it successful.
2. Explain briefly any two points to highlight the importance of the controlling function.

Q 6. Deepak is working in an MNC. He has created an atmosphere of proper controlling in his department. In order to do so he keeps himself aware about any dishonest behaviour and takes a stern action immediately. Recently he has installed CCTV cameras to keep vigil on the employees.

1. In the above case which importance of controlling has been implemented by Deepak?
2. Name one more importance of controlling other than the above highlighted.
3. Can you suggest one more way by which Deepak could have implemented controlling?

Long answer type Questions (5 Marks)

CCT & Case – Based questions

Q.1. 'Controlling is an indispensable function of management'. Do you agree? Give four reasons in support of your answer.

Or

State any five points that highlight the importance of 'controlling' function of management.

Q.2 Explain the various steps involved in the process of control.

Q 3. Savita has been assigned the job of quantity controller. She knows this is a tough job but she also realises the importance of it. Her daily routine is to send alarm to the manufacturing department about the deviations in the number of units produced so that the target of the day could be achieved. This helps the whole department to focus towards its main plan of action. However, one day she realises that the number of units which are to be produced is 500 which is very high and creates chaos at the shop floor. She discusses it with the management and the target is reduced to 450. This has helped the manufacturing department in maintaining quality of the work done. There are 10 workers at the shop floor where Savita does inspection. She divided the task into 45 units for each worker so that by the end of the day the target of the department is completed.

1. Which benefits of controlling have been highlighted in the above case?
2. Name one department where controlling should be applied in proper coordination with the manufacturing department for proper quality control of the manufactured products

Q 4. Kapil & Co. is a large manufacturing unit. Recently the company had conducted time and motion studies and concluded that on an average, a worker could produce 300 units per day. However, it has been noticed that the average daily production per worker is in the range of 200-225 units.

1. Name the function of management and identify the steps in the process of this function which helped in finding out that the actual production of a worker is less than the set target.
2. To complete the process of the function identified in (1) and to ensure the performance as per time and motion studies, explain what further steps a manager has to take?

Q 5. 'AS Ltd.' is a large company engaged in assembling of air-conditioners. Recently the company had conducted the 'Time' and 'Motion' study and concluded that on an average, a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembling of air-conditioners per day is 800 units only. To find out the reason, the company compared actual performance of each worker and observed through CCTV that some of the workers were busy in gossiping.

1. Identify and explain the function of management discussed above.
- 2.State the steps in the process of the function identified which are discussed in the above paragraph.

ANSWER KEY CONTROLLING

2 MARKS ANSWER

Answer 1. The term ‘deviations’ refers to the difference between the actual performance and planned performance. If the actual performance is more than the planned performance, it may be said to be positive in nature or vice-versa.

Answer 2. Budgeting Control is an operation of management responsible for monitoring budget, service in a given accounting year and control cost. It helps the management in setting a regulated performance and financial goal and helps the organisation in getting the desired results.

Answer 3. Sample checking is a technique of Measurement of actual performance (Controlling). Measurement should be done after the task is completed. However, sometimes performance can be measured during the performance to ensure regular control over the activities. Usually, in large organisations, certain pieces are checked at random, instead of checking the whole lot. This is called sample checking.

Answer 4.

1. The function of management which has been referred to in the above case is controlling.
2. The benefits of controlling highlighted in the above case are:

Controlling helps in efficient utilisation of resources. He has set standards for performance of different types of activities and is doing his level best to perform according to these set standards to minimise wastage of resources.

Controlling helps in improving employee motivation. He has set up a good monitoring system which helps him know how employees are performing according to set standards as when the employees meet these standards, they will be given incentives.

Answer 5. Management by exception is the principle of management control adopted by the company. It is based on the belief that ‘if you try to control everything, you may end up controlling nothing.’

Answer 6. (i) The management function is controlling. “Comparing actual performance with standards” is the step involved in the process of controlling which helped in finding out that the actual production of a worker is less than the set target.

(ii). A manager has to take the following two further steps to complete the process of controlling: a) Analysing deviations b) Taking corrective action

3 MARKS ANSWER

Answer 1. (i) Accomplishing organisational goals: The controlling function measures the performance against the pre-determined standards and corrects deviations. This helps in ensuring that organisation is moving on right track to achieve the organisational goals. In other words, by controlling, the manager ensures that resources are obtained and used economically and efficiently for the achievement of organisational objectives.

(ii) **Judging accuracy of standards** A sound controlling system helps the management to verify whether the standards set are accurate and objective. It keeps a careful check on the changes, which are taking place in the organisation and helps in revising standards as and when required.

Answer 2. Controlling is forward looking as it must focus attention on two things checking current performance and providing early information to achieve results in conformity with set standards. Checking on operations should enable prompt detection of faults before it is too late for remedy. Deviations, if any, should lead to investigation of the factors responsible which may affect future operations. Remedial actions should be followed so as to prevent the occurrence of defects thereafter. In other words, control must ensure timely detection of deviations and prevention of their repetition in future.

Answer 3.

1.The controlling function of management is needed to rectify the above situation.

2. The procedure to be followed so that the actual production may come up with the target production is as follows:

- (A) Providing training to workers if the workers are not well versed with the production process.
- (B) Improving the work environment if it is not conducive to efficient working.
- (C) Ensuring timely availability of the raw materials and other equipment if they are not made available on time.
- (D) Replacing the machinery if it is defective or has become obsolete.

Answer 4 :

1. Controlling is the function of management being performed by Anubhav by conducting tests to assure for the quality of the garments manufactured in his export house.
2. The term 'deviations' refers to the difference between the actual performance and planned performance. If the actual performance is more than the planned performance, it may be said to be positive in nature or vice-versa.

Answer 5:

1. The two aspects about his business that Raghav was controlling in order to make it successful are listed below:

- ❑ A standard taste was maintained.
- ❑ The orders were executed on time.

2. The two points that highlight the importance of the controlling function are listed below:

- ❑ **Judging accuracy of standards:** The controlling function helps the business managers to judge the objectivity and accuracy of the current standards. It also assists in reviewing and revising the standards keeping in view the forthcoming changes in both the internal and external environment of the business.
- ❑ **Improving employee motivation:** The controlling function seeks to motivate the employees and helps them to give better performance. This is because it makes them aware well in advance about what they are expected to do and what the standards of performance are on the basis of which they will be judged.

Answer 6.

1. The importance of controlling implemented in the above case by Deepak is:
Controlling ensures proper order and discipline in the organisation.
2. One more importance of controlling. Controlling helps in making efficient use of resources.
3. Deepak could have implemented controlling by issuing balance score card to every employee. In this way could check their performance and contribution to the organisation on a daily basis.

5 MARKS ANSWERS

Answer 1. Yes, controlling is an indispensable function of management, it is a force which helps the management to attain the pre-determined or planned performance.

Reasons for good control system

Importance of controlling are as follows;

- (i) **Accomplishing organisational goals** The controlling function measures the performance against the pre-determined standards and corrects deviations. This helps in ensuring that organisation is moving on right track to achieve the organisational goals. In other words, by controlling, the manager ensures that resources are obtained and used economically and efficiently for the achievement of organisational objectives.
- (ii) **judging accuracy of standards** A sound controlling system helps the management to verify whether the standards set are accurate and objective. It keeps a careful check on the changes, which are taking place in the organisation and helps in revising standards as and when required.
- (iii) **Making efficient use of resources** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with pre-determined standards and norms. This ensures that resources are used in the most effective and efficient manner.
- (iv) **It improves employees' morale** The implementation of controlling makes all the employees to work with complete dedication because they are aware that their performance will be evaluated and they will have a chance to build their reputation in the organisation. The employees who show good performance are rewarded by giving them promotions, cash prizes, etc.

(v) **It helps in better performance** Planning and controlling are closely inter-related as the real test of planning is controlling. Control reveals deficiencies and deviations, suggests corrective actions for prevention of deviations and deficiencies through modified planning.

(vi) **Facilitates coordination** Control keeps all activities and efforts within their fixed boundaries and makes them move towards the set goals. Thus, control facilitates coordination, it provides unity of direction.

Answer 2. Controlling Process:

1. Setting Performance Standards: Standards are the criteria against which actual performance would be measured. Thus, standards become basis for comparison and the manager insists on following of standards.

2. Measurement of Actual Performance: Performance should be measured in an objective and reliable manner which includes personal observation, sample checking. Performance should be measured in same terms in which standards have been established, this will facilitate comparison.

3. Comparing Actual Performance with Standard: This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired performance. If the performance matches the standards it may be assumed that everything is under control.

4. Analysing Deviations: The deviations from the standards are assessed and analyzed to identify the causes of deviations.

5. Taking Corrective Action: The final step in the controlling process is taking corrective action. No corrective action is required when the deviation is within the acceptable limits. But where significant deviations occur corrective action is taken.

Answer 3 1. The benefits of controlling highlighted in the above case are:

(I) Controlling helps in accomplishing organisational goals. Her daily routine is to send alarm to the manufacturing department about the deviations in the number of units produced so that the target of the day could be achieved.

(II) Controlling helps in judging accuracy of set standards. However, one day she realises that the number of units which are to be produced is 500 which is very high and creates chaos at the shop floor, she discusses it with the management and the target is reduced to 450.

(III) Controlling helps in facilitating coordination in action. She has divided the task into 45 units for each worker so that by the end of the day the target of the department is completed.

2. One department where controlling should be applied in proper coordination with the manufacturing department for proper quality control of the manufactured products is purchase department. Unless and until input is good output can never be good. For high quality manufactured product, the raw material should be of high quality and this is the area of concern of the purchase department.

Answer 4. Controlling is the function of management which helped in finding out that the actual performance of a worker is less than the set target. The steps involved in the controlling function of management which helped in finding out that the actual performance of a worker is less than the set target are outlined below:

☐ Setting performance standards in clear, specific and measurable terms. “Recently the company had conducted time and motion studies and concluded that on an average, a worker could produce 300 units per day.”

☐ Measurement of actual performance as far as possible in the same units in which standards are set. “It has been noticed that the average daily production per worker is in the range of 200-225 units”.

☐ Comparing actual performance with standards to identify deviations if any. In the given case there is a deviation in output in the range of 25-50 units per worker.

In order to complete the process of controlling and to ensure the performance as per time and motion studies the manager has to further take the following two steps:

☐ **Analysing deviations through critical point control and management by exception approach:** In the given situation, there is a deviation in output in the range of 25-50 units per

worker. The manager should analyse the reasons for the same. The possible reasons for the same are:

- ❑ The workers are not well versed with the production process.
 - ❑ The working environment is not conducive to efficient working.
 - ❑ The raw materials and other equipment are not available on time.
- ❑ **Taking corrective action:** The deviations require immediate management attention so that they do not reoccur in future. Therefore, the manager should take appropriate corrective action after analysing the situation like providing training to workers, improving the work environment, and ensuring timely availability of the raw materials and other equipment.

Answer 5. (i) The function of management discussed above is Controlling.

Controlling means comparison between actual output and planned output to find out the reasons for deviations corrective measures to stop such deviations in future.

(ii) The steps involved in the process of controlling which are discussed in the above paragraph are:

a. Setting standards of performance: “concluded that on an average, a worker can assemble ten air-conditioners in a day.” “The target volume of the company in a day is assembling of 1,000 units of air-conditioners.”

b. Measurement of actual performance:” Even then the assembling of air-conditioners per day is 800 units only.”

c. Comparison of actual performance with the standards: The company compared actual performance of the workers with the planned performance and noted deviation of 200 units.

Analysing deviations: “To find out the reason, the company compared the actual performance of each worker and observed through CCTV that some of the workers were busy in gossiping’s.

Answer 6. 1. Analysing deviation and taking corrective action are being discussed in the above lines.

Analysing Deviations: The deviations from the standards are assessed and analysed to identify the causes of deviations.

Taking Corrective Action: The final step in the controlling process is taking corrective action. No corrective action is required when the deviation is within the acceptable limits. But where significant deviations occur corrective action is taken.

2. Since it may neither be economical nor easy to monitor each and every activity in the organisation, therefore, every organisation identifies and states its specific key result areas (KRAs) or critical points which require tight control are likely to have a significant effect on the working of the business. Any deviations on these points are attended to urgently by the management.

3. The two points that highlight the importance of the controlling function are listed below:

- ❑ **Accomplishing organisational goals:** The controlling function helps in accomplishing organisational goals by constantly monitoring the performance of the employees and bringing to light the deviations, if any, and taking appropriate corrective action.
- ❑ **Making efficient use of resources:** The controlling function enables the managers to work as per predetermined standards. This helps to avoid any ambiguity in business operations and reduce wastage and spoilage of resources in the organisation.

QUESTION BANK
CHAPTER- FINANACIAL MANAGEMENT

S.NO.	Short answer types questions (02 marks)
1	Yogesh, a business man is engaged in publishing and selling of Ice-creams. Identify the working capital requirement of Yogesh giving reason in support of your answer.
2	Manish is engaged in business of garments manufacturing. Identify the working capital requirement of Manish giving reason in support of your answer.
3	Amit is running an „Advertising agency“ and earning a lot by providing this service to big industries. State whether the working capital requirement of the firm will be ‘less“ or ‘‘mor’’. Give reason in support of your answer.
4	“Indian Logistics“ has its own warehousing arrangements at key locations across the country. Its warehousing services help business firms to reduce their overheads, increase efficiency and cut down distribution time. State with reason, whether the working capital requirements of „India Logistics“ will be high or low.
5	“Financial management is concerned with inflow and outflow of money.” Do you agree? If yes, How?
6	Why does the issue of debt capital does not affect the control of equity shareholders?
7	" Ranbaxy Ltd. has been earning handsome profits since last 15 years. Company enjoy goodwill in the market, so company can easily arrange debt as well equity from the owner whenever needed. Therefore company decided to declare dividend with a hike of 15% from last year." Which two components affecting dividend decision have been highlighted in the above paragraph.
8	REI Agro Food Ltd. is a famous multinational company. Mr. SK Nagi is its finance manager. He is making efforts to increase the market value of capital He already knew it could be possible only when price of the shares increases and price of shares increase only if financing , investment and dividend decisions are taken optimally. He did the same and achieved success. Which objective of financial management has been referred here ? Explain .
9	Jai Bharat Company Ltd. is an auto part supplier company in Guru Gram , Haryana . Its business is spread over several cities . The CEO of company wants to open a factory in Gujarat near Tata Motors Ltd. but due to recession for the last two years , its business is facing slow down . Company needs capital . Rakesh Gupta is CA and financial advisor of the company . His opinion is that during recession profit falls and investors prefer to invest in debentures to earn fixed income. Therefore, the company should issue debentures. In this paragraph, which factor affecting financing decision has been highlighted? Explain state of capital market.
10	Amit is running an ' Advertising agency ' and earning a lot by providing this service to big industries. State whether the working capital requirement of the firm will be less or Give reason in support of your answer.
	Short answer types questions (03 marks)
11	Cost of debt is less than cost of equity. Still a company cannot go with entire debt. Why?
12	Amar is doing his transport business in Delhi. His buses are generally used for the tourists going to Jaipur and Agra. Identify the working capital requirement of Amar giving reason in support of your answer. Further Amar wants to expand and diversify his Transport business. Enumerate any four factors that will affect his fixed capital requirements.
13	The directors of a manufacturing company are thinking of issuing Rs. 20 crores worth additional debentures for expansion of their production capacity. This will lead to an increase in debt equity

	ratio from 2 : 1 to 3 : 1. What are the risks involved in it? What factors other than risk do you think the directors should keep in view before taking the decision? Name any four factors
14	In a company profits are high and in future less scope of expansion exists. The company has decided to distribute less amount of share of profits to its shareholders. 1. Identify of share of profits to its shareholders. 2. State any one value which is affected by the company's decision.
15	A company's earnings before interest and tax is Rs. 7 lakhs. It pays 10% interest on its debt. Total investment of company is rs. 50 lakhs. 1. Advise company whenever it should include debt or equity to raise its capital. 2. Name the concept related to this. 3. Will be company's decision to raise funds from debt or equity will change if company's EBIT becomes 3 lakhs.
16	Storage Solution Ltd. Is a large warehousing network company operating through a chain of warehouses at 40 different locations across India. The company now intends to undertake computerization of its owned ware houses as it seeks to provide better value added and cost effective solutions for scientific storage and preservation services to the market participants dealing in agricultural products including farmers, traders, etc. In context of the above case: 1. How is the decision to undertake computerization of owned warehouses likely to affect the fixed capital requirements of its business? 2. Name any two sources that company may use to finance the implementation of this plan
17	Wireworks Ltd. Is a company manufacturing different kinds of wires. Despite fierce competition in the industry, it has been able to maintain stability in its earnings and as a policy, uses its profits to distribute dividends. The small investors are very happy with the company as it has been declaring high and stable dividend over past five years. In context of the above case: 1. State any one reason because of which the company has been able to declare high dividend by quoting line from the paragraph. 2. Why do you think small investors are happy with the company for declaring stable dividend?
18	Manoj is a renowned businessman involved in export business of leather goods. As a responsible citizen, he chooses to use jute bags for packaging instead of plastic bags. Moreover, on the advice of his friends, he decides to use jute for manufacturing aesthetic handicrafts, keeping in view the growing demand for natural goods. In order to implement his plan, after conducting a feasibility study, he decides to set up a separate manufacturing unit for producing varied jute products. In context of the above case: 1. Identify the type of investment decision taken by Manoj for deciding to set up a separate manufacturing unit for producing jute products. 2. State any two factors that he is likely to consider while taking this decision.
19	Well-being Ltd. Is a company engaged in production of organic foods. Presently, it sells its products through indirect channels of distribution. But, considering the sudden surge in the demand for organic products, the company is now inclined to start its online portal for direct marketing. The financial managers of the company area planning to use debt in order to take advantage of trading on equity. In order to finance its expansion plans, it is planning to raise a debt capital of Rs. 40 lakhs through a loan @ 10% from an industrial bank. The present capital base of the company comprises of Rs. 9 lakh equity shares of Rs. 10 each. The rate of tax is 30%. In the context of the above case: 1. What are the two conditions necessary for taking advantage of trading on equity? 2. Assuming the expected rate of return on investment to be same as it was for the current year i.e. 15%, do you think the financial managers will be able to meet their goal. Show your workings clearly.
20	'Ganesh Steel Ltd.'" is a large and credit-worthy 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. 1. Name and explain the money-

	market instrument the company can use for the above purpose. 2. What is the duration for which the company can get funds through this instrument? 3. State any other purpose for which this instrument can be used.
	Long answer types questions (05 marks)
21	Arun is a successful businessman in the paper industry. During his recent visit to his friend's place in Mysore, he was fascinated by the exclusive variety of incense sticks available there. His friend tells him that Mysore region is known as a pioneer in the activity of Agarbatti manufacturing because it has a natural reserve of forest products especially Sandalwood to provide for the base material used in production. Moreover, the suppliers of other types of raw material needed for production follow a liberal credit policy and the time required to manufacture incense sticks is relatively less. Considering the various factors, Arun decides to venture into this line of business by setting up a manufacturing unit in Mysore. In context of the above case: 1. Identify of the above case: 2. Identify the three factors mentioned in the paragraph which are likely to affect the working capital requirements of his business.
22	<p>“Adwitiya” is a company enjoying market leadership in the food brands segment. It's portfolio includes three categories in the Foods business namely Snack Foods, Juices and Confectionery. Keeping in mind, the growing demand for packaged food it now plans to introduce ready-To-Eat Foods. Therefore, the company has planned to undertake investments of nearly Rs. 450 crores for its new line of business. As per the current financial report, the interest coverage ratio of the company and return on investment is higher. Moreover, the corporate tax rate is high. In context of the above case:</p> <p>1. As a financial manager of the company, which source of finance will you opt for debt or equity, to raise the required amount of capital? Explain by giving any two suitable reasons in support of your answer.</p> <p>2. Why are the shareholder's of the company like to gain from the issue of debt by the company?</p>
23	<p>Computer Tech Ltd., is one of the leading information technology outsourcing services providers in India. The company provides business consultancy and outsourcing services to its clients. Over the past five years the company has been paying dividends at high rate to its shareholders. However, this year, although the earnings of the company are high, its liquidity position is not so good. Moreover, the company plans to undertake new ventures in order to expand its business.</p> <p>In context of the above case:</p> <p>1. Give any three reasons because of which you think Computer Tech Ltd. Has been paying dividends at high rate to its shareholders over the past five years.</p> <p>2. Comment upon the likely dividend policy of the company this years by stating any two reasons in support of your answer.</p>
24	<p>Krishna Ltd. Is manufacturing steel at its plant at Noida. Due to economic growth, the demand for steel is also growing. The company is planning to set up a new steel plant at Gurgaon. It needs Rs. 800 crore to start the new plant. It decides to raise Rs. 300 crore through debentures, Rs. 200 crore through long-term loan from banks and Rs. 200 crore by issue of equity share to the public. It is decided to finance the remaining amount by utilizing its reserves and surplus.</p> <p>1. State the importance of financial planning for this company.</p> <p>2. What is the capital structure of this company? Explain.</p> <p>3. Identify the financial decision involved when the company decides to raise Rs. 800 crore from different sources of funds.</p> <p>4. How will the dividend decision of Krishna Ltd. Be affected? Explain.</p>
25	Tata International Ltd. Earned a net profit of Rs. 50 crores. Ankit the finance manager of Tata International Ltd. Wants to decide how to appropriate these profits. Identify the decision that Ankit will have to take and also discuss any five factors which help him in taking this decision.

26	<p>Shalini, after acquiring a degree in Hotel Management and Business administration took over her family food processing company of manufacturing pickles, jams and squashes. The business was established by her great grandmother and was doing reasonably well. However, the fixed operating costs of the business were high and the cash flow position was weak. She wanted to undertake modernization of the existing business to introduce the latest manufacturing processes and diversify into the market of chocolates and candies. She was very enthusiastic and approached a finance consultant, who told her that approximately Rs. 50 lakhs would be required for undertaking the modernization and expansion programme. He also informed her that her stock market was going through a bullish phase.</p> <p>1. Keeping the above considerations in mind, name the source of finance Shalini should not choose for financing the modernization and expansion of her food processing business. Give one reason in support of your answer.</p> <p>2. Explain any two other factors, apart from those stated in the above situation, which Shalini should keep in mind while taking this decision.</p>
27	<p>Sarah Ltd. is a company manufacturing cotton yarn. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in 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. 40 lakhs from IDBI and is bound by certain restrictions on the payment of dividend according to the terms of loan agreement. The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company. Quoting the lines from the above discussion identify and explain four such factors.</p>
28	<p>Shubh Ltd. is manufacturing steel at its plant in India. It is enjoying great demand for its products as economic growth is about 7%-8% and the demand for steel is growing. The company has decided to set up a new steel plant to encash the increased demand. It is estimated that it will require about Rs. 2000 crore to set up and about Rs. 500 crores of working capital to start the new plant.</p> <p>1. State the objective of financial management for this company.</p> <p>2. Identify and state the decision taken by the finance manager in the above case.</p> <p>3. State any two common factors affecting the fixed and working capital requirements of Shubh Ltd.</p>
29	<p>'G Motors' is the manufacturer of sophisticated cranes. The production manager of the company, reported to the chief executive officer, Ashish Jain that one of the machines used in manufacturing sophisticated cranes had to be replaced to compete in the market, as other competitors were using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic machine having the latest technology. It was also decided to finance this machine through long-term sources of finance. Ashish Jain compared various machines and decided to invest in the machine which would yield the maximum returns to its investors.</p> <p>(i) Identify the financial decision taken by Ashish Jain.</p> <p>(ii) Explain any three factors affecting the decision identified in above (i).</p>
30	<p>"Sound financial planning is essential for the success of any enterprise." Explain this statement by giving any five reasons.</p>

Answers

S.NO.	Short answer (02 marks)
1	Working capital requirements of Yogesh would be less as it is a TRADING business.
2	Working capital requirements of Manish would be less as it is a MANUFACTURING business. So raw material needs to be converted into finished goods before any sales can become possible
3	Less working capital is required as service industries which usually do not have to maintain inventory require less working capital.

4	Low, as it is a service industry, which usually do not have to maintain inventory.
5	Yes, financial management is concerned with inflow and outflow of money as it is concerned with taking decisions regarding optimal procurement and utilisation of funds. For the effective procurement of funds, different available sources of finance are identified and compared in terms of cost and risk associated with them. Procurement of funds is done for both long-term needs as well as short-term needs. For long-term financing needs, the funds can be sourced through debt and equity. Short-term financing involves management of working capital.
6	
7	(i) Stability of earning. (1) Access to capital markets
8	Maximizing the wealth of equity shareholders
9	State of capital market.
10	Less working capital is required as service industries which usually do not have to main inventory require less working capital.
	Short answer (03 marks)
11	Because debt is riskier for a business, since payment of interest and return principal amount is compulsory for the business. Any default in meeting these commitments may force the business to go into liquidation. That is, increased use of debt increases financial risk of a business
12	Working capital requirements of Amar would be less as it is a SERVICE industry. Factors which will affects his fixed capital requirements are: 1. Scale of operations 2. Financing alternatives 3. Growth prospects 4. Diversification
13	Higher use of debt increases the fixed financial charges of a business because payment of interest and return of principal amount is compulsory. Any default in meeting these commitments may force the business to go into liquidation. As a result, increased use of debt increases the financial risk of a business. Financial risk is the chance that a firm would fail to meet its payment obligations. Other factors affecting this decision are: 1. Cost 2. Cash flow position 3. Control 4. Return on investment (ROI)
14	1. Dividend decision This decision involves how much of the profit earned by the company (after paying tax) is to be distributed to the shareholder and how much of it should be retained in the business. 1. Value affected: Shareholders' wealth will not be maximized.
15	1. Company should prefer debt to raise fund as debt is gainful for equity shareholders' till $ROI > \text{Rate of Interest}$. In the above case $ROI = \frac{EBIT}{\text{Total Income}} \times 100$ $= \frac{7}{10} \times 100 = 14\%$ $14 > 10$ so debt it more suitable. 1. The concept is leverage effect or trading in equity. 2. Yes company's decision will change if EBIT becomes 3 lac, because with 3 lac ROI will become less than interest. $ROI = \frac{EBIT}{\text{Total Income}} \times 100 = \frac{3}{50} \times 100 = 6\%$ Total Income 50 Interest = 10% $6\% < 10\%$ So, now company must prefer equity to raise capital.
16	1. The decision to undertake computerization of owned warehouses will increase the fixed capital requirements of its business both in present and future as after sometime, the technology being used will become obsolete and need up gradation. 2. The company may use retained earnings and take loans from financial institutions to implement this plan.
17	1. Stability in earnings: "Despite fierce competition in the industry, it has been able to maintain stability in its earnings." 1. The small investors are happy with the company for declaring stable dividend as they enjoy a regular income on their investment.

18	1. Capital budgeting decision has been taken by Manoj. 2. The factors affecting Capital Budgeting Decision are as follows: 1. Cash inflows: 2. Rate of return
19	1. The two conditions necessary for taking advantage of trading on equity are: <input type="checkbox"/> The rate of return on investment should be more than the rate of interest. <input type="checkbox"/> The amount of interest paid should be tax deductible. 2. Yes, the financial managers will be able to meet their goal as the projected EPS, with the issue of debt, is higher than the present EPS.
20	1. Commercial Paper: It is a unsecured promissory note issued by large and credit worthy companies to raise short terms funds at lower rates of interest than the prevailing market rates. 1. 15 days to one year. 2. It can also be used for seasonal and working capital needs.
Answers (05 marks)	
21	Investment decision has been taken by Arun. Investment decision seeks to determine as to how the firm's funds are invested in different assets. It helps to evaluate new investment proposals and select the best option on the basis of associated risk and return. Investment decision can be long term or short-term. A long-term investment decision is also called a Capital Budgeting decision 2. The three factors mentioned in the paragraph which are likely to reduce the working capital requirements of his business are as follows: 1. Available of raw material: 2. Production cycle: 3. Credit availed:
22	1. As a financial manager of the company, I will opt for debt to raise the required amount of capital. I support my decision by giving the following reasons: 1. Interest coverage ratio: 2. Tax rate: 1. The shareholders of the company are likely to gain from the issue of debt by the company because the return on investment is higher. It helps a company to take advantage of trading on equity to increase the earnings per share.
23	1. Computer Tech Ltd. has been paying dividends at high rate to its shareholders over the past five years because of the following reasons: 1. Earnings: 2. Cash flow position: 3. Access to capital market: 1. This year the company is likely to follow a conservative dividend policy because of the following reasons: 1. The cash flow position of the company is not good and dividends are paid in cash. 2. The company may like to retain profits to finance its expansion projects. Retained profits do not involve any explicit cost and are considered to be the cheapest source of finance.
24	1. Financial planning will help the company in avoiding business shocks and surprises. It will reduce waste and duplication of efforts. 2. Capital structure refers to the mix between owner's funds and borrowed funds. It is calculated as debt equity ratio i.e., Debt/Equity. For Krishna Ltd. Debt = Debentures + Long term loans from banks = 300 + 200 = Rs. 500 crore. Equity = Share capital + Reserves and surplus (or retained earnings) = 200 + 100 = Rs. 300 crores. Therefore, debt equity ratio = 500 = 1.67 : 1 1. Financing decision 2. Since the company have growth opportunities of setting up a new steel plant at Gurgaon, it retains Rs. 100 crore out of profits to finance the required investment. So, it is likely to pay less

	dividend. However, since the company makes more debt financing than funding through equity, it implies that cash flow position of the company is strong. Therefore, it can pay higher dividend.
25	<p>Ans. Dividend decision Factors affecting dividend decision.</p> <p>1. Earnings: 2. Stability of earnings: 3. Stability of dividends: 4. Growth opportunities: 5. Cash flow position:</p>
26	<p>1. Debt</p> <p>Any one reason</p> <p>1. Due to weak cash flow position, the firm may not be able to honour fixed cash payment obligations.</p> <p>2. Increased fixed operating cost will increase the business risk therefore debt should not be issued as it further increases the financial risk.</p> <p>3. The stock market condition being bullish, the investors will prefer to buy equity shares.</p> <p>1. Other factors which Shalini would keep in mind are:</p> <p>1. Return on Investment 2. Tax rate</p>
27	<p>Factors affecting dividend decision: (Any four)</p> <p>1. Stability of earnings</p> <p>It has been consistently earning good profits for many years".</p> <p>Stability of earnings affects dividend decision as a company having stable earnings is in a position to declare higher dividends.</p> <p>1. Cash Flow position</p> <p>„There is available of enough cash in the company".</p> <p>A good cash flow positions is necessary for declaration of dividend.</p> <p>1. Growth Prospects</p> <p>„Good prospects for growth in the future."</p> <p>If a company has good growth opportunities, it pays out less dividend.</p> <p>1. Shareholders' preference</p> <p>„It has many shareholders who prefer to receive regular income from their investments."</p> <p>Shareholder's preference is kept in mind by the management before declaring dividends.</p> <p>1. Contractual constraints</p> <p>„It has taken a loan of Rs. Rs. 40 Lakhs from IDBI and ... agreement."</p> <p>Which taking dividend decision, companies keep in mind the restrictions imposed by the lenders in the loan agreement.</p>
28	<p>1. Objectives of financial management of this company are:</p> <p>1. To ensure availability of sufficient funds from different sources at reasonable costs.</p> <p>2. To ensure effective utilization of such funds.</p> <p>3. To ensure safety of funds procured by creating reserves, reinvesting profits, etc.</p> <p>Value: Maximisation of shareholders' wealth.</p> <p>1. Investment decision</p> <p>It relates to how the firm's funds are invested in different assets – fixed assets and working capital.</p> <p>1. Factors affecting fixed and working capital requirements of Shubh Ltd.:</p> <p>1. Nature of business:</p> <p>2. Scale of operations:</p>
29	<p>(i) Financial decision taken by Ashish Jain is investment (Long-term/Capital budgeting) decision.</p> <p>(ii) The factors affecting investment decision are given below</p> <p>(a) Cash Flow of the Project- When a firm takes an investment decision involving huge amount, it expects to generate some cash flows (inflow or outflow) over a period. Thus, the inflows and outflows of cash in the business should be considered before making capital budgeting decisions.</p>

	<p>(b) Rate of Return- Each project is selected after comparing expected returns of different projects and the degree of risk involved in them.</p> <p>(c) The Investment Criteria Involved -The decision to invest in a particular project involves a number of calculations regarding the amount of investment, interest rate, cash flows and rate of return.</p>
30	<p>“Sound financial planning is essential for the success of any enterprise.” The following points explain the importance of financial planning</p> <p>(i) It helps in forecasting what may happen in future under different business situations. By doing so, it helps the firms to face the eventual situation in a better way. In other words, it makes the firm better prepared to face the future. By preparing a blueprint of these situations, the management may decide what must be done in each of these situations. This preparation of alternative financial plans to meet different situations is clearly of immense help in running the business smoothly.</p> <p>(ii) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.</p> <p>(iii) It helps in coordinating various business functions, e.g. sales and production functions, by providing clear policies and procedures.</p> <p>(iv) It provides a link between investment and financing decisions on a continuous basis.</p> <p>(v) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts and gaps in planning.</p>

QUESTION BANK FINANCIAL MARKET

Q.1 Distinguish between Primary Market and Secondary Market on the basis of following point:

- a. Meaning b. parties involved c. objective

3

Q.2 Mahesh's grandmother who was sick, called him and gave him a gift packet. Mahesh opened the packet and saw many crumpled share certificates inside. His grandmother told him that it had been left behind by his late grandfather.

As no trading is now done in physical form, Mahesh wants to know the process by adopting which he is in a position to deal with these certificates.

1. Identify and state the process.
2. Also give two reasons to Mahesh
3. why dealing with shares in physical form had been stopped.

3

Q. 3. The directors of a company want to expand business by making a public issue of shares. They wish to approach the stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares. Advise the directors whether to approach the stock exchange or a consultant for new public issue of shares and why. Also advise them about different methods which the company may adopt for the new public issue of shares.

3

Q. 4. Vijay Ltd. has good reputation in the market operating in the north east region. It is an export-oriented unit, dealing in exclusive handicrafts. The floods in the region have created many problems for the company. Many craftsmen and workers have been dislocated and raw material has been destroyed. The firm is therefore, unable to get an uninterrupted supply of raw material, and the duration of the production cycle has also increased. To add to the problems of the organization, the suppliers of raw material who were earlier selling on credit are now asking the company, for advance payment or cash payment on delivery. The company is facing a liquidity crisis. The CEO of the company feels that taking a bank loan is the only option with the company to meet its short-term shortage of cash. As a finance manager of the company name and explain the alternative to bank borrowing that the company can use to resolve the crisis.

3

Q. 5. 'GS Ltd.' is a large and credit-worthy company manufacturing cement for the Indian market. It now wants to cater to the American 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.

1. Name and explain the money-market instrument the company can use for the above purpose.
2. What is the duration for which the company can get funds through this instrument?
3. State any other purpose for which this instrument can be used.

3

Q. 6. The Trading Procedure on Stock Exchange has been replaced by on-line screen based electronic trading system. This is mainly done to eliminate problems like theft, fake/forged transfers, transfer delays and paper work associated with share certificates or debentures in physical form. This is a process where securities held by the investor in the physical form are cancelled and the investor is given an electronic entry or number so that he/she can hold it as an electronic balance in an account. This has increased the equity cult among the people.

1. Identify and state the process mentioned above.
2. What is the most important requirement for the process identified in part (1)?

2

Q.7 Identify the method of floatation highlighted in each statement?

- (a) Offer the entire new issue to Life Insurance Company?

- (b) Issue of prospectus to invite public to apply for shares.
- (c) Use of online system of stock exchange to issue shares.
- (d) Companies Act makes it compulsory to offer new issue to existing shareholders. 5

Q.8 Ravi has 200 shares of Reliance Industries. Reliance came out with a fresh issue of shares and offers Ravi to subscribe for new shares. He was given option to buy 1 share for every two shares held by him. Name the method of issuing financial instrument. Also state which type of market trades in this type of financial instrument. 2

Q.9 The electronic book entry form of holding and transferring securities has eliminated the problems of theft and forgery. Discuss the concept indicated the given statement. 2

5 MARKS QUESTIONS

Q.10 Incorporated in 1990, Raju dairy Ltd is one of the leading Manufacturers and marketers of dairy-based branded foods in India. In the initial years, its operation were restricted only to collection and distribution of milk. But, over the years it has gained a reasonable market share by offering a diverse range of dairy based products including fresh milk, flavoured yogurt, ice creams, butter milk, cheese, ghee etc. In order to raise the funds for its expansion plans, Raju dairy Ltd. has decided to approach capital market through a mix of offer for sale of 4 crore shares and a public issue of 2 crores shares.

In context of the above case:

- (A) Name and explain the segment of capital being approached by the company
- (B) Identify the methods of floatation used by the company to raise the required capital. Give one difference between them. 5

Q.11 The SEBI has imposed a penalty of Rs. 7269.5 crore on pearls Agrotech Corporation Limited (PACL) and its four directors- tarlochan singh, sukudev singh , gurmeet singh, and Subrata Bhattacharya who had mobilized funds from the general public through illegal collective investments schemes in the name of purchase and development of agriculture land. While imposing the penalty, the biggest in its history, securities and exchange boards of India said the company deserves maximum penalty for duping the common man. Its prevention of Fraudulent and Unfair Trade Practices Regulations provides for severe to severe penalties for dealing with such violation. As per SEBI norms, it can impose penalty of 25 crore or three times of the profit made by indulging in Fraudulent and unfair trade practices of the illicit gains.

In the context of the above case: (5)

- (a) State the objectives of setting up SEBI
- (b) Identify the type of function performed by SEBI by quoting lines from the paragraph

Q12 Ragu works as a waiter in a five-star hotel in Mumbai. while serving the customer he overhears him at the table saying that the he has made profits higher than expected by investing in securities market. So, ragu also decides to make a nominal investment from his saving in the stock market in pursuit of higher gains:

In context of the above case: (5)

As a financial consultant, apprise him of the steps involved in the working of a demat system.

Q13 The stock market regulator, securities and exchange board of India (SEBI), has initiated a certification programme for all market intermediates. Under this programme, people associated with stock markets in any way, will have to obtain a qualifying certificate from the regulator. The national institute of securities market (NISM), a trust formed by SEBI, is tasked with the certification programme.

In the context of above case

- (a) Identify the type of functions performed by SEBI
- (b) Outline any two reasons for setting up SEBI 5

Q14 After doing a course in online trading, arsh started an online portal for stock trading under the name investment guru. He met his school friend Ajay after a long in a bank where Ajay had open a Demat account. Arsh urged Ajay to invest in the forthcoming IPO of a blue chip companies whereas Ajay was inclined to buy existing securities of the other companies to build his investment portfolio.

In the context above case: (5)

(a) Identify the two difference types of capital market market being referred to by quoting lines from the para.

(b) State any four differences between the two types of capital markets as identified in part (a) Q15. Ganesh steel ltd. is a large and creditworthy company that manufacture steel for the Indian market. It now wants to cater 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 equality shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market.

(A) Name and explain the money market instrument that company can use for the above purpose.

(B) What is the duration for which the company can get funds through this investment?

(C) State any other purpose for which this instrument can be used. 5

Q16. These days ,the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed most. To give strength to the economy, SEBI is undertaking measures to develop the capital market in which various instruments are actively traded every day .These markets together help the savers and investors in directing the available funds into better investment opportunity.

a. Name the function being performed by the market in the above case.

b. Also, explain briefly three other functions performed by this market 5

Answers

Ans 1

Primary Market	Secondary Market
1. It is the market for new securities. 2. Securities are exchanged between company and the investors. 3. It promotes capital formation directly.	1. It is the market for existing securities. 2. Securities are exchanged between investors. 3. It promotes capital formation indirectly.

Ans.2

1. Dematerialization – It is a process where securities held by the investor in physical form are cancelled and the investor gives an electronic entry or number so that she/he can hold it as an electronic balance in an account
2. Problems with dealing in physical form - (any two)
 1. Theft
 2. Fake/forged transfers
 3. Transfer delays
 4. Paper work associated with share certificates or debentures held in physical form.

Ans.3 The directors should approach a consultant for new public issue of shares. The stock exchanges deal with sale and purchase of existing securities only, not in new issue of securities.

Different methods which the company may adopt for the new public issue of shares:

1. Offer through prospectus
2. Offer for sale
3. Private placement
4. Rights issue

E-IPOs

Ans.4 Commercial Paper: It is a short term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise short term funds at low companies tht are generally considered to be financially strong

Ans.5

1. Commercial paper
2. 15 days to one year
3. It can also be used for seasonal and working capital needs.

Ans.6

1. Dematerialization – It is the process of holding securities in an electronic form.

2' For this, the investors has to open a 'Demat account' with a depository participant (DP) for holding and transferring securities in the demat form. He / She will also have to open a bank account for cash transactions in the securities market.

Answer:7

- a. Privaste Placement
- b. Offer for sale through prospectus
- c. e-ipo
- d. Rights issue

Answer: 8 Right Issue , Primary Market

Answer:9 Dematerialization and correct explanation

Answer:10 . Primary market is the segment.

- a. The two methods of floatation is –issue through prospectus and offer for sale.
- b. In case of issue through prospectus, the company approaches the members directly by issuing a prospectus whereas in offer for sale through intermediaries.

Answer: 11 A The objective of setting up SEBI is

- i. To prevent malpractices in securities market.
- ii. To protect rights and interests of investors,.
- iii. To regulate and develop code of conduct between brokers.
- iv. To regulate stock market to promote their orderly functioning.

B . Protective function is performed by SEBI

Answer: 12 Ragu have to initiate the following steps.

- i. Open a De mat account with a depository participant who may either be a bank, broker or financial services company.
- ii. If he plans to buy shares through public offer he will have to give details .on allotment of shares the shares will be credited.
- iii. If he wants to buy shares otherwise, he will have to instruct his broker about the company ,no of shares etc.
- iv. On contrary, whenever he wants to sell shares, he will have to instruct his broker the details like name of company, no of share share ,at what price etc.

Answer: 13 a . Developmental function is being carried out SEBI by starting a certification programme for all market intermediates.

B SEBI was set up as a regulatory body by the government for the following reasons-

- 1. To curb malpractices in the financial market.
- 2. To enhance the confidence of the investors by ensuring fair, efficient and transparent dealings.

Answer: 14 .a The two different types of capital market being referred to are-

- 1. Primary market Arsh urged Ajay to invest in the forthcoming IPO of a blue chip companies.
- 2. Secondary market: Ajay was inclined to buy existing securities of the other companies to build his investment portfolio.

B Differences between primary market and secondary market.

Answer: 15.

- a. Commercial papers can be used for bridge financing by Ganesh steel Ltd. as they are issued by Ganesh Steel Ltd. as they are issued by large and credit worthy companies. The instrument is in the form of unsecured promissory note and is freely transferable by endorsement. It is sold at discount and redeemed at par.
- b. Its maturity period may range from a fortnight to a year.
- c. It is also used to meet the term seasonal and working capital requirements of a business enterprise

Answer: 16.

. mobilization of funds is the function being performed by the financial market.

- a) The other functions being performed are outlined below.
- i. Price determination.
 - ii. Liquidity to financial assets
- It provides common platform for exchange of securities

Chapter 12

CONSUMER PROTECTION

2 MARKS QUESTIONS

1. Raj a marketing manager is a patient of diabetes for which he takes medicines regularly. One day, on his tour to Patna he met with an accident and was hospitalized. Due to doctor's negligence a delicate nerve of his right leg was cut rendering crippled throughout his life. Identify the consumer right that has been violated by the doctors under the consumers protection Act, 2019 in the above situation.
2. Mohit bought a packet of chips from a local shopkeeper and found that the ingredients given on the label were not legible. He complaint about it to the company. The company sent a written apology stating that they will make sure that existing packets are withdrawn from the market and new packets with legible labels are soon made available. Name and explain the consumer right which Mohit exercised.
3. Simran bought a box of cheese of a reputed brand from a local shopkeeper. On opening the box she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week the representative of the company visited Simran's residence with an apology and as a replacement offered her new cheese pack with four other varieties of cheese as compensation for the inconvenience to her. Name and explain the consumer right which Simran exercised.
4. Ruchi purchase a bottle of pickle from the local grocery shop. The information provided on the bottle was not clear she fell sick on consuming it. She filed a case in the District forum under the consumer protection Act and got the relief.
Identify and explain the important aspect neglected by the marketeer in the above case.
5. Rani went to a shopkeeper to buy a hair oil. The shopkeeper forces her to buy a particular brand of hair oil out of various available brands, irrespective of the willingness of Rani.
Which right of Rani, as a consumer, has been violated? Name and explain the right.
6. Gunjan goes to a doctor to get herself treated for an injury in her hand. The doctor being her distant relative charged her nothing for the treatment. However, after a few days she develops an infection on the wound because the doctor didn't use sterilized instruments. Later on, she is advised by the surgeon to get the infected finger removed. Therefore, she is very angry with the doctor.
In context of the above case:
Can Gunjan file a case against the doctor if she decides to take legal action? why or why not? Give reason in support of your answer.
7. Sandeep purchased a diesel car for ₹7Lacs from an automobile company and found its engine defective. Despite many complaints the defect was not rectified.
Suggest to him the appropriate authority where he could file a complaint under consumer protection Act. Explain.
8. Shubham purchased a press for ₹1000. On using it, he found it defective. The seller did not respond to the complaint.

In your view, what should be done by Shubham.

3 MARKS QUESTIONS:

1. Explain the concept of 'consumer protection' and any two points of its importance from the point of view of consumers.
2. Who can file a complaint?
3. Shahid purchased a car for ₹15 lacs from an automobile company and found that its airbags were defective. After many complaints with the company that went unheard, he filed a case in the District forum. He was not satisfied with the orders of the District forum. He then appealed before the State Commission and on being dissatisfied with the orders of State Commission he appealed before the National Commission. Shahid was not satisfied with the orders of National Commission. Suggest him the highest authority where he could appeal against the decision of the National commission.
4. Pravin purchased an ISI mark electric iron from Bharat electricals. While using it, he found that it was not working properly. He approached the seller and complaint about the same. The seller satisfies Pravin by saying that he will ask the manufacturer to replace the iron. The manufacturer refused to replace and Bharat electricals decided to file a complaint in the consumer court.
Can Bharat Electricals do this? Why? Also explain who is consumer as per consumer protection Act, 2019.
5. Suyash purchased the pack of sweets for his son from a shop in the nearby market. After consuming those sweets, the condition of his son deteriorated and he had to be hospitalized. Later on through a laboratory test it was certified that the sweets were adulterated.
(i) State any one precautions that he should have taken while purchasing packed sweets.
(ii) Name and explain the appropriate redressal agencies that he can approach in case he decides to file a case against the shopkeeper.
6. State any three responsibilities that a consumer should keep in mind while purchasing, using and consuming goods and services.

5 MARKS QUESTIONS:

1. Amita purchased one kg of pure Honey from A shopkeeper. After using it, she had doubts that it was adulterated. she sent it for a laboratory test which confirmed that the honey was adulterated.
State any five reliefs available to Amita if she complaints and the consumer court is satisfied about the genuineness of the complaint.
2. After completing his education, Aman opened the small restaurant in a Posh market to earn his livelihood. In order to attract good clientele, he decided to install two air conditioners in the restaurant since he did not have sufficient funds to buy air conditioners of a good brand, he bought two air conditioners from a local manufacturer in Janakpuri Delhi for ₹ 20,000 each. Later on, he found that the compressor of one of the AC was not working properly despite many complaints, the defect was not rectified by the manufacturer. So, he feels very disappointed about the issue and wants to take a legal action against the manufacturer to not only get compensation but also to save other people from being duped by the local manufacturer.
(a) Name the redressal agency to which he can approach to file complaint against the local manufacturer
(b) state any four remedies which the consumer court can issue to the local manufacturer after being satisfied with the genuineness of the complaint.
3. On her sister's wedding Siya decided to give her gold earrings, When she shared her plan with her husband, he showed her an article in daily National newspaper under the heading "Jago Grahak Jago" The campaign included details about the various aspects that people must consider before buying any gold jewellery.
(a) why do you think campaigns like "Jago Grahak Jago" are inserted in the newspaper.

- (b) Name the right of the consumer being fulfilled through this initiative of the Government.
- (c) State any three responsibilities that Siya must discharge as an aware consumer while buying her sister's wedding gift.
4. Good Health Ltd, a pharmaceuticals company has introduced mosquito repellent brands under the brand name 'Jadu' in the wake of outbreak of dengue in various parts of the country. The product attracted many people from all age groups specially kids. However the company failed to provide adequate guidance for the users on the label of the product in terms of time period of the effectiveness of the repellent band once its seal is opened. Because of these ambiguities, many buyers faced problems
- In context of the above case:
- (a) Identify and explain the consumer right which has been overlooked by the company.
- (b) Name and explain any four other rights of consumers.

ANSWER KEY

2 MARKS QUESTIONS

1. Right to safety is the consumer right that has been violated by the doctors under the consumer protection Act, 2019 in the above situation.
2. Right to be heard has been exercised by Mohit.
correct explanation of right to be heard.
3. Right to seek redressal has been exercised by Simran.
correct explanation of right to seek redressal.
4. The marketer head overlook the labelling as it was not done appropriately for the product.
5. The right to choose has been violated in the given case as Palak was forced by the shopkeeper to buy a particular brand of hair oil.
According to the right to choose, the consumer has a right to choose from a variety of products at competitive prices. Also, the marketers should offer a wide variety of products to buyers.
6. No, Gunjan cannot file a case against the doctor because she is not a consumer because she didn't pay for the services.
7. He should file a complaint in district forum.
8. Shubham should file complaint to the company against the seller.
if not heard then Shubham should move to consumer court.

3 MARKS QUESTIONS

1. **Meaning:** it refers to protect the consumers against the unfair practices of the producers and sellers.
Importance:
From the point of view of consumers: The importance of consumers protection from the point of view of consumers can be made clear with the help of the following points-
 - (i) Consumers ignorance
 - (ii) Unorganised consumers
 - (iii) Widespread exploitation of consumers
2. (i) Any consumer.
(ii) Any registered consumer's association
(iii) The central government or any state government.
(iv) One or more consumers on behalf of numerous consumers having the same interest.
(iv) A legal heir or representative of a deceased consumer.
3. Shahid cannot appeal to any other higher authority. This is because only those matters which have been directly filed in the National Commission and where the value of goods and services in question along with the compensation claimed exceed ₹ 10 crores are appealable before Supreme Court.
4. No, Bharat Electricals will not be able to file a complaint under consumer protection Act 2019 because according to this act a person is not deemed to be a customer if he buys goods for resale or commercial purpose.
under the consumer protection act 2019, A consumer is defined as Any person who buys any goods for a consideration which has been paid or promised, or partly paid and partly promised or under any scheme

of deferred payment. It includes any uses of such goods, when such use is made with the approval of the buyer, but it does not include a person who obtains goods for re-sale or any commercial purpose.

5. (i) Suyash should have checked for the quality assurance mark like FPO/FSSAI on its label while purchasing the food product.

(ii) District forum.

6. Consumers responsibilities are as follows: (any three)

i) Consumer must exercise his Rights

ii) Cautious consumer do not buy blindly.

iii) Filing complaint for the redressal of genuine grievances.

iv) consumers must be quality conscious.

v) Do not be carried Away by Advertisement.

vi) Do not forget to get receipt and Guarantee/Warranty card.

5 MARKS QUESTIONS:

1. The five reliefs available to Amita are listed below:

(a) To remove the defect in goods or the deficiency in service.

(b) To provide replacement for the defective product.

(c) To refund the price paid for the product or the charges paid for the service.

(d) To pay punitive damages in appropriate circumstances.

(e) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the marketer.

2. (a) He can approach the District forum to file complaint against the local manufacturer.

(b) The four remedies which the consumer court can issue to the local manufacturer after being satisfied with the genuineness of the complaint are as follows:

(1) To remove the defect in goods.

(2) To provide replacement for the defective product.

(3) To refund the price paid for the product or the change paid for the service.

(4) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the marketer.

3. (a) The campaigns like "Jago Grahak Jago" are given in the newspaper to make the consumer aware of the various undesirable activities like an unscrupulous, unfair trade practices etc which are carried out by the marketers to exploit the buyers.

(b) Right to consumer education is being fulfilled through this initiative of the government.

(c) The three responsibilities that Siya must discharge as an aware consumer while buying her sister's wedding gift are as follows:

(i) Buy only standardized goods and check for standardization mark like hallmark for gold jewellery.

(ii) Assert herself to ensure that she gets a fair deal.

(iii) Ask for a cash memo on purchase of goods or services.

4. The Right to information is being overlooked by the company in the above-mentioned case:

(a) According to the Right to information, a consumer has the right to get complete information about the product he/she intends to buy including the its content, date of manufacture, date of expiry, price quantity, direction for use etc. Also, as per law it is mandatory for the market to provide complete information about the product or service to the buyers.

(b) Any four rights of consumers.

KVS RO RAIPUR					
MODEL QUESTION PAPER 1					
Business Studies Term 2 (2021-22)					
Blue - Print					
S. No.	Name of Units	No. of Questions			Total Marks
		2 Marks	3 Marks	5 Marks	
1	Staffing	2		1	9
2	Directing		2		6
3	Controlling	1	1		5
4	Financial Management	1	1	1	10
5	Financial Market			1	5
6	Consumer Protection			1	5
Total Questions (12)		4	4	4	40

<p style="text-align: center;">KENDRIYA VIDYALAYA SANGATHAN RAIPUR REGION MODEL QUESTION PAPER 1 BUSINESS STUDIES (054) TERM II (2021-22) Class XII</p> <p>MM: 40 Time: 2 Hours General Instructions: This is a Subjective Question Paper containing 12 questions. This paper contains 4 questions of 2 marks each, 4 questions of 3 marks each and 4 questions of 5 marks each. 2 marks questions are Short Answer Type Questions and are to be answered in 30-50 words. 3 marks questions are Short Answer Type Questions and are to be answered in 50-80 words. 5 marks questions are Long Answer Type Questions and are to be answered in 80-120 words. This question paper contains Case/Source Based Questions.</p>			
S. No.	QUESTIONS		MARKS
1	Which two steps in the process of controlling are concerned with compelling events to confirm to plan?		2
2	Shri Hari Ltd. are the manufacturers of 'Gents Designer Suits' with their own trademark. During the year 2019-20 the company employed 30 senior technicians to work on machines imported from America for manufacturing 'Gents Designer Suits'.		2

	The technicians were employed on probation of one year. They were put on their respective jobs after 7 months On the job training. Because of the faulty selection process, the technicians could not perform well. Ten of them left the job on their own and 12 had to be removed by the company during the probation period. Now the company is in the process of selecting new technicians. Advise the company about any two types of selection tests that may be used for selecting the desired technicians.	
3	Nitesh is engaged in warehousing business and his warehouses are generally used by the businessmen to store fruits. Nitesh wants to expand and diversify his warehousing business. Explain any two factors that will affect his fixed capital requirements.	2
4	Identify the source of requirement used in the following cases: (a) Requirement for casual workers during Diwali season, is placed on a cracker manufacturing factory's notice board. (b) Taj Hotels goes to Institute of Hotel Management for recruitment of fresher.	2
5	Richa is a successful manager at Kshama Enterprises. She has a team of twelve people working under her. She encourages them to set their own objectives and take decisions. She respects their opinions and supports them, so that they can perform their duties and accomplish organisational objective. To manage and exercise effective control she uses forces within the group. As an intelligent manager, at times she also makes uses of positive aspects of informal communication. This way, she is able to unify diverse interests and ensure that targets are met. (a) There are many theories and styles of influencing people's behaviour. Identify the style used by Richa which is based on the use of authority. (b) State the two positive aspect of the communication discussed, above which Richa is using as an intelligent manager.	3
6	Explain any three features of directing. OR Explain any three non-financial incentives.	3
7	AS Ltd. Is a large company engaged in assembly of air-conditioners. Recently the company had done internal analysis and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. The reason the company compared the actual performance of each worker and observed through C.C.T.V. that some of the workers were busy in gossiping. (a) Identify the function of management discussed above. (b) State any two steps in the process of the function identified which are discussed in the above paragraph.	3
8	Enumerate three important decisions taken in financial management.	3
9	Mayur Industries Ltd. approached a well established university in the city of Mumbai to recruit qualified personnel for various technical and professional jobs. They selected Tanya, Ritu, Garima and Chetan for various vacancies in the organisation. After the selection and placement, Mayur Industries Ltd. felt the need to increase the skills and abilities, and the development of positive attitude of the employees to perform their specific job better. The company also realised that learning new skills would improve the job performance of the employees. Hence, the company decided to take action for the same. (a) Name the step of the staffing process regarding which the company decided to take action. (b) State any four benefits of the action to Mayur Industries Ltd.	5

10	Name the institution which provides platform for trading of existing securities having long-term maturity and explain its any four functions.	5
11	<p>Atithi Ltd. operates eight hotel properties in Maharashtra, Rajasthan, Goa and Himachal Pradesh. The company is planning to book rooms for third parties through a unique room chartering business model at strategically identified cultural and religious tourist destinations on a bulk basis in 47 cities and let-out them to tourist during peak seasons. The asset light business model will enhance company profitability. To implement this plan, the financial manager prepared a blue print to raise an amount of Rs 35 crore through issue of debentures as the cost of debt is much lower than ROI.</p> <p>On the basis of the given information about Atithi Ltd., answer the following questions: (a) Identify the concept of financial management adopted by the finance manager. (b) State any four significance of the above identified concept for the company to enhance company's profitability.</p> <p>OR</p> <p>State whether working capital requirements of business manufacturing the following items are large or small: Justify your statement (a) Milk (b) Steel (c) Room Coolers (d) Industrial Boilers (e) Sign boards manufacturing against orders.</p>	5
12	<p>Explain any five responsibilities of a consumer which should be kept in mind while purchasing goods.</p> <p>OR</p> <p>Explain any five rights of a consumer under the Consumer Protection Act, 2019.</p>	5

	<p style="text-align: center;">MARKING SCHEME MODEL QUESTION PAPER 1 BUSINESS STUDIES (054) TERM II (2021-22) Class XII</p>	
1	(i) Comparison of actual performance with standards. (ii) Taking corrective actions.	(1+1=2))
2	The types of selection tests that may be used for selecting the desired technicians are: (i) Trade test (ii) Aptitude test (iii) Interest test (any two with explanation)	(1+1=2))
3	Factors affecting fixed capital requirements (any two with explanation): Financing Alternatives, Level of Collaboration, Nature of Business, Scale of Operations	(1+1=2))
4	(a) Direct Recruitment (b) Campus Placement	(1+1=2))
5	(a) Democratic style (b) Positive aspects of informal communication: (i) It may be helpful as they carry information rapidly. (ii) It is used by managers to know the reactions of his/her subordinates.	(1+2=3))
6	<p>Main characteristics of directing are discussed below: (any three with explanation)</p> <p>(i) Directing initiates action (ii) Directing takes place at every level of management (iii) Directing is a continuous process (iv) Directing flows from top to bottom</p> <p>OR</p> <p>the important non-financial incentives are: (any three with explanation)</p> <p>(i) Status (ii) Organisational Climate (iii) Career Advancement Opportunity (iv) Job Enrichment</p>	3

	(v) Employee Recognition programmes (vi) Job security (vii) Employee participation (viii) Employee Empowerment	
7	(a) Controlling (b) Steps discussed in the para are: (any two with explanation) (i) Setting performance standards (ii) Measurement of actual performance (iii) Comparing actual performance with the standards (iv) Analysing deviations	(1+2=3))
8	The three decisions taken by financial management are: (i) Investment decision (ii) Financial decision (iii) Dividend Decision	3
9	(a) Training and Development (b) The benefits of training and development to Mayur Industries Ltd. are as follows: (any four) (i) Training is a systematic learning, always better than hit and trial methods which lead to wastage of efforts and money. (ii) It enhances employee productivity both in terms of quantity and quality, leading to higher profits. (iii) Training equips the future manager who can take over in case of emergency. (iv) Training increases employee morale and reduces absenteeism and employee turnover. (v) It helps in obtaining effective response to fast changing environment – technological and economic.	(1+4=5))
10	The institution is stock exchange. Its four important functions of a stock exchange are as follows (any four): 1. Providing Liquidity and Marketability to Existing Securities: The basic function of a stock exchange is the creation of a continuous market where securities are bought and sold. It gives investors the chance to disinvest and reinvest. This provides both liquidity and easy marketability to already existing securities in the market. 2. Pricing of Securities: Share prices on a stock exchange are determined by the forces of demand and supply. A stock exchange is a mechanism of constant valuation through which the prices of securities are determined. Such a valuation provides important instant information to both buyers and sellers in the market. 3. Safety of Transaction: The membership of a stock exchange is well regulated and its dealings are well defined according to the existing legal framework. This ensures that the investing public gets a safe and fair deal on the market. 4. Contributes to Economic Growth: A stock exchange is a market in which existing securities are resold or traded. Through this process of disinvestment and reinvestment savings get channelised into their most productive investment avenues. This leads to capital formation and economic growth. 5. Spreading of Equity Cult: The stock exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.	(1+4=5))
11	(a) Financial Planning (b) The significance of financial planning can be explained as follows: (any four) (i) It helps in forecasting what may happen in future under different business situations. By doing so,	(1+4=5))

	<p>it helps the firms to face the eventual situation in a better way. In other words, it makes the firm better prepared to face the future.</p> <p>(ii) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.</p> <p>(iii) It helps in co-ordinating various business functions, e.g., sales and production functions, by providing clear policies and procedures.</p> <p>(iv) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts, and gaps in planning.</p> <p>(v) It tries to link the present with the future.</p> <p>(vi) It provides a link between investment and financing decisions on a continuous basis.</p> <p>(vii) By spelling out detailed objectives for various business segments, it makes the evaluation of actual performance easier.</p> <p style="text-align: center;">OR</p> <p>Requirements of working capital for the mentioned business will be:</p> <p>(a) Milk: Requirements of working capital will be less because it has quick cash turnover.</p> <p>(b) Steel: Working Capital required for manufacturers will be more as ratio of raw material cost to total cost is more.</p> <p>(c) Room Coolers: Working Capital required for manufacturers of cooler will be more because it is a seasonal product.</p> <p>(d) Industrial Boilers: Requirements of working capital for a manufacturers of Industrial boiler will be more because gestation period is more.</p> <p>(e) Sign Boards: Requirements of working capital for a manufacturers of Sign boards manufactured against specific order is less as it doesn't requires large stock.</p>	(5)
12	<p>Responsibilities of a Consumer under the Consumer Protection Act, 2019 (Any five):</p> <ol style="list-style-type: none"> 1. Be aware of various goods and services available in the market so that an intelligent and wise choice can be made. 2. Buy only standardised goods as they provide quality assurance. 3. Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely. 4. Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc. 5. Assert yourself to ensure that you get a fair deal. 6. Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices. 7. Ask for a cash memo on purchase of goods or services. 8. File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. 9. Form consumer societies which would play an active part in educating consumers and safeguarding their interests. <p style="text-align: center;">OR</p> <p>Rights of a Consumer under the Consumer Protection Act, 2019 (Any five):</p> <ol style="list-style-type: none"> 1. Right to safety: The consumer has a right to be protected against goods and services which are hazardous to life, health and property. 2. Right to be informed: 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. 3. Right to be assured: The consumer has the freedom to assess a variety of products at competitive prices. 4. Right to be heard: The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. 	(5)

	<p>5. Right to seek redressal: The consumer has a right to get relief against unfair trade practice of restrictive trade practices or unscrupulous exploitation in case the product or a service falls short of his expectation.</p> <p>6. Right to consumer education: The consumer has a right to acquire knowledge and to be a well informed consumer throughout life.</p>	
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KVS RO RAIPUR					
MODEL QUESTION PAPER 2					
Business Studies Term 2 (2021-22)					
Blue - Print					
S. No.	Name of Units	No. of Questions			Total Marks
		2 Marks	3 Marks	5 Marks	
1	Staffing	2		1	9
2	Directing		2		6
3	Controlling	1	1		5
4	Financial Management	1	1	1	10
5	Financial Market			1	5
6	Consumer Protection			1	5
Total Questions (12)		4	4	4	40

**KENDRIYA VIDYALAYA SANGATHAN
REGIONAL OFFICE - RAIPUR**

	<p style="text-align: center;">Model QUESTION PAPER 2 BUSINESS STUDIES (054) TERM II (2021-22) Class XII</p> <p>MM: 40 Time: 2 Hours</p> <p>General Instructions:</p> <p>This is a Subjective Question Paper containing 12 questions. This paper contains 4 questions of 2 marks each, 4 questions of 3 marks each and 4 questions of 5 marks each. 2 marks questions are Short Answer Type Questions and are to be answered in 30-50 words. 3 marks questions are Short Answer Type Questions and are to be answered in 50-80 words. 5 marks questions are Long Answer Type Questions and are to be answered in 80-120 words. This question paper contains Case/Source Based Questions.</p>	
S.NO	QUESTIONS	MARKS
1	Give the meaning of 'Orientation' as a step in the process of 'Staffing'	2

2	Wireworks Ltd. is a company manufacturing different kinds of wires. Despite fierce competition in the industry, it has been able to maintain stability in its earnings and as a policy, uses 40% of its profits to distribute dividends. The small investors are very happy with the company as it has been declaring high and stable dividend over past five years. In context of the above case: 1. State any one reason because of which the company has been able to declare high dividend by quoting line from the paragraph. 2. Why do you think small investors are happy with the company for declaring stable dividend?	2
3	State any two limitations of external source of recruitment.	2
4	Surbhi Ltd. produces safety pins on a mass scale. The company's policy is that not more than 3% of the daily production should be defective. Over a three months period, it has been observed that 8% - 10% of the production is defective. The cause of deviation found is defective machinery. What corrective action should be taken by the management?	2
5	ABC Ltd. Is not able to achieve its objective on analyzing, they found that employees were not given their best, so he decided to announce an incentive plan, which offers various incentives to employee workers at different level for achieving their target. (i) Which element of directing is used by manager? (ii) Suggest incentive suitable for: Employees operating at lower level. Employees operating at higher level.	3
6	Explain the three features of directing. Or State any three financial incentive other than "pay and allowances" to motivate employees.	3
7	Every manager has to take three major decisions while performing the finance function. Explain them.	3
8	Alpha Ltd. was manufacturing Auto spare parts. To improve the efficiency of employees the company provided training to their employees by inviting an expert who demonstrated the whole process of manufacturing. The expert quoted that all deviations cannot be controlled, so manager must know which deviation in key areas must be attended urgently as compared to deviation in non-key area. He also suggested that human beings are bound to make mistakes as manager should not take strict action on every minute mistake of workers, rather he can fix a range of deviation and take action if deviation is above the specified large. 1. Identify the functions of management referred above. 2. Name the two ways of analyzing deviation mentioned above. 3. Name the method of training used by the company.	3
9	Reena purchased one litre of pure desi ghee from a shopkeeper. After using it, she had doubts that it was adulterated. She sent it for a laboratory test which confirmed that the ghee was adulterated. State any six reliefs available to Reena if she complains and the consumer court is satisfied about the genuineness of the complaint. Or Archit went to buy a pen from a local stationery shop. He asked the shopkeeper for a particular brand of pen. But the shopkeeper somehow forced to buy a pen of another brand. When Archit got back home he was satisfied with his purchase. On the basis of the given information answer the following questions: a) Identify and explain the right of consumer violated in above case. b) Briefly explain the importance of consumer Protection from the point of consumer.	5
10	State any five regulatory functions of the Securities and Exchange Board of India	5
11	Which functions of management helps in obtaining right people and putting them on the right job? Explain any four points of importance of this function?	5

12	<p>A company's earnings before interest and tax is Rs. 7 lac. It pays 10% interest on its debt. Total investment of company is Rs. 50 lac. 1. Advise company when it should include debt or equity to raise its capital. 2. Name the concept related to this. 3. Will company's decision to raise funds from debt or equity be changed if company's EBIT becomes 3 lac.</p> <p style="text-align: center;">Or</p> <p>The directors of a company have decided to expand their business activities by increasing the stock of raw materials and finished goods at an estimated cost of Rs. 50 lakhs, Describe the various ways available to the company to raise necessary finance for the purpose.</p>	5
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	MARKING SCHEME -2 BUSINESS STUDIES (54) TERM II (2021-22) CLASS XII	
1	It is introducing the selected employee to other employees and familiarising him with the rules and policies of organisation.	1+1
2	1. Stability in earnings: "Despite fierce competition in the industry, it has been able to maintain stability in its earnings." 1. The small investors are happy with the company for declaring stable dividend as they enjoy a regular income on their investment	1+1
3	Dissatisfaction among existing staff, lengthy process, costly process	1+1
4	Repair the existing machine or replace the machine if it cannot be repaired	2
5	. (i) Motivation is missing. (ii) (a) Lower level: offer monetary incentives. (b) Higher level: non-monetary incentive	1+2(1+1)
6	<p>1.Directing initiates actions.</p> <p>2. directing takes place at every level of management</p> <p>3.directing continues process and if any</p> <p style="text-align: center;">Or</p> <p>Productive linked wage incentives 2. Bonus 3profit sharing and any</p>	1+1+1
7	A manager take three following major decisions: - (explain) 1) Financing Decision. 2) Investment Decision. 3) Dividend Decision	1+1+1
8	1. Staffing and controlling 2. (i) critical Point Control (ii) Management by exception 1. Apprenticeship method of training	1+2(1+1)
9	<p>The six reliefs available to Reena are listed below: 1. To withdraw the hazardous goods from sale. 2. To provide replacement for the defective product. 3. To refund the price paid for the product, or the charges paid for the service. 4. To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the marketer. 5. Not to offer hazardous goods for sale. 6. To issue corrective advertisement to neutralize the effect of a misleading advertisement</p> <p style="text-align: center;">OR</p> <p>a) The consumer right violated by the company is Right to choose. Right to choose:A consumer should have the right to choose from a variety of products and services at competitive price.The seller should not force the consumer to buy certain products. b) The following points highlight the importance of consumer protection from the point of view of consumer: 1. Ignorance of consumer 2. Exploitation of consumer 3. Unorganised consumer.</p>	1+1+1+1+1
10	<p>Regulatory Functions of Securities and Exchange Board of India (Any five)</p> <p>1. Registration of brokers and sub-brokers and other players in the market.</p> <p>2. Registration of collective investment schemes and Mutual Funds.</p> <p>3. Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers and the business in stock exchanges and any other securities market.</p>	1+1+1+1+1

	<p>4. Regulation of takeover bids by companies.</p> <p>5. Calling for information by under- taking inspection, conducting enquiries and audits of stock exchanges and intermediaries.</p> <p>6. Levying fee or other charges for carrying out the purposes of the Act.</p> <p>7. Performing and exercising such power under Securities Contracts (Regulation) Act 1956, as may be delegated by the Government of India.</p>	
11	<p>Ans Staffing Importance. 1) Fulfilling job with competent Personnel:- Staffing helps in selection of right person for right job. The staff selected is according to need of the job which in result helps in smooth functioning of the enterprise. 2) Better performance:- The staff selected is according to them need of the job. The person selected will be expertise in his field resulting in better job performance with fewer chances of mistakes. 3) Expansion and growth:- An org. having capable employees will lead to the path of growth and development. Able employees which are the real asset of the enterprise take their firm to eh height of development. 4) Improves Job satisfaction and morale:- A person when selected for right job tries to give his 100% in his working. This is because he is fully satisfied with his job which is very much necessary. It will boost his performance and he will prove to be the real asset of the firm.</p>	1+1+1+1+1
12	<p>1. Company should prefer debt to raise fund as debt is gainful for equity shareholders till $ROI > \text{Rate of Interest}$. In the above case $ROI = \frac{EBIT}{\text{Total Income}} \times 100$ $\text{Total Income} = \frac{7}{50} \times 100 = 14\%$ $14 > 10$ so debt it more suitable. 1. The concept is leverage effect or trading in equity. 2. Yes company"s decision will change if EBIT becomes 3 lac, because with 3 lac ROI will become less than interest. $ROI = \frac{EBIT}{\text{Total Income}} \times 100 = \frac{3}{50} \times 100 = 6\%$ $\text{Total Income Interest} = 10\%$ $6\% < 10\%$ So, now company must prefer equity to raise capital.</p> <p style="text-align: center;">OR</p> <p>The company can raise necessary finance for the purpose of expansion through the following function. (Explain) (a) Issue of shares (b) Issue of debentures (c) Loans from banks and financial institutions. (d) Retained earnings.</p>	1+1+1+1+1

KENDRIYA VIDYALAYA SANGATHAN RAIPUR REGION

**CLASS XII
BUSINESS STUDIES (54) TERM II
BLUE PRINT**

**Model Question Paper 3
Session (2021-2022)**

S. No.	Name of the Chapter	2 marks	3 marks	5 marks	Total
1.	Staffing	2 (2)		5(1)	9
2.	Directing		3(2)		6
3.	Controlling	2(1)	3(1)		5
4.	Financial Management		3(1)	5(1)	8
5.	Financial Market	2(1)		5(1)	7
6.	Consumer Protection			5(1)	5
	Total	2(4)	3(4)	5(4)	40(12)

**KENDRIYA VIDYALAYA SANGATHAN RAIPUR REGION
CLASS XII BUSINESS STUDIES (54)
TERM II MODEL QUESTION PAPER 3 (2021-2022)**

MAX. MARKS:40

TIME: 2 Hrs.

Sr. no	Question	Marks
	General instructions: 1.The question paper contains 12 questions 2. This paper contains 4 questions of 2 marks each, 4 questions of 3 marks each and 4 questions of 5 marks each. 3. 2 marks questions are Short Answer Type Questions and are to be answered in 30-50 words. 4. 3 marks questions are Short Answer Type Questions and are to be answered in 50-80 words.	

	5. 5 marks questions are Long Answer Type Questions and are to be answered in 80-120 words.	
1.	After rainy season ,work in construction industry goes in full swing which leads to increased need of unskilled employees. Name the method of recruitment which is most suitable in this situations and also explain that source briefly?	(2)
2.	Name and explain the money-market instrument commonly used by the companies for bridge financing.	(2)
3.	“Recruitment is considered as positive process whereas selection is considered as negative process.” Justify given statement.	(2)
4.	Which function of management ensures that organizational performance should be according to standards? Identify and also explain that concept.	(2)
5.	Suzy Ltd. Display the name of their weekly best performers in the notice board and provides a certificate to them , in order to motivate their employees. Identify the name & types of incentives offered and explain the concept.	(3)
6.	RAAVI was working as a CEO in’ OXYZONE Ltd.’ which was producing air purifiers. The target of the company was to produce 1,000 air purifiers every day. She was taking all decisions with her own without making any discussion with subordinates. She always insists that her orders must be obeyed without questioning it. Identify and describe the leadership style being adopted by RAAVI. OR State any three points of importance of Directing.	(3)
7.	List any three factors affecting the Fixed Capital requirement of a company.	(3)
8.	Controlling is Both a Backward Looking as well as a Forward Looking Function. Justify.	(3)
9.	Various efforts have been made by government and non- government organisations to protect the interest of consumers, but exploitation of consumers will stop only when consumer himself will come forward to safeguard their interest. Write any five responsibilities that a consumer must keep in mind while purchasing any goods/services. OR Enumerate any five rights of a consumer under the Consumer Protection Act, 2019.	(5)
10.	Discuss the various functions of financial market.	(5)
11.	Briefly explain following methods of training; A. Vestibule training B. Internship.	(5)
12.	There are two companies Rama Ltd. and Suzy Ltd with total investment of Rs.30 lakh each. The capital structure of Rama Ltd. Consist Rs.10 lakh of equity share capital of Rs. 10 each and debt fund of Rs.20 lakh, while in suzy Ltd. It consist only equity share capital. EBIT (earning before interest and tax) is 7.5 lakh, the interest rate on debt is @10% and the tax rate is 30%. which company will generate higher yield (dividend) in order to maximize the returns to the equity shareholders. OR Anu Ltd. Earned consolidated profits of Rs.500 crores. The company wants to decide how to effectively allocate profits in order to develop balance between expectations of shareholders and considering future expansion requirements in emerging market opportunities . identify the specific decision which financial manager has to initiate and discuss the factors which are to be taken into the consideration, in this respect (any four).	(5)

MARKING SCHEME - 3 (2021-2022)

MAX. MARKS:40

TIME : 2 Hrs.

Sr. no	Suggested Answers	marks
1.	Labour contractor They maintain close contacts with labour's and they can provide a large number of workers at short notice.	(1 mark for identification and 1 mark for correct explanation)
2.	Commercial paper. It is issued as an unsecured promissory note by large and creditworthy companies for meeting their short term needs 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 floatation costs of issuing equity shares, preference shares etc.	(1 mark for identification and 1 mark for correct explanation)
3.	Recruitment is a process of inviting application from all the willing candidates satisfying minimum criteria therefore considered as positive process whereas selection eliminates/rejects candidates in various stages of selection process who cant clear any tests therefore is assumed as negative process.	(1 mark for each part)
4.	Controlling. Correct concept.	(1 marks for each)
5.	Recognition, non financial incentives. Correct meaning.	(½ marks for identi., ½ each for type and 1 mark for concept)
6.	RAAVI has adopted an autocratic style of leadership. An autocratic leader gives order and insists that they are obeyed. He determines the policies for the group without consulting them. He does not give information about future plans but simply tells the group what immediate steps they must take. OR Importance of Directing: (Any three) 1. Directing helps to initiate action by people in the organisation towards attainment of desired objectives. 2. Directing integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance. 3. Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. 4. Directing facilitates introduction of needed changes in the organisation. 5. Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments.	1 mark for identification 2marks for explanation. 1 mark for each
7.	Factors affecting Fixed capital requirement; any three	1 mark for each
8.	Controlling is backward looking process because it is like a post-mortem of past activities to find out deviations from standard plans and it is also a forward looking process, as it seeks to improve future	(1½ mark for each part)

	results by taking corrective action.																															
9.	<p>Each responsibility carry 1 mark</p> <p style="text-align: center;">Or</p> <p>Rights of a Consumer under the Consumer Protection Act, 2019 (Any five):</p> <ol style="list-style-type: none"> 1. Right to safety: The consumer has a right to be protected against goods and services which are hazardous to life, health and property. 2. Right to be informed: 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. 3. Right to be assured: The consumer has the freedom to assess a variety of products at competitive prices. 4. Right to be heard: The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. 5. Right to seek redressal: The consumer has a right to get relief against unfair trade practice of restrictive trade practices or unscrupulous exploitation in case the product or a service falls short of his expectation. 6. Right to consumer education: The consumer has a right to acquire knowledge and to be a well informed consumer throughout life. 	(1 marks for each correct point)																														
10.	Functions of financial market; any five.	½ mark for each correct point and ½mark for explanation)																														
11.	<p>methods of training;</p> <p>A. Vestibule training B. Internship.</p>	(2½ marks for each correct explanation)																														
12	<p>As per the given details, company enjoying the favourable yield through financial leverage can be identified as below</p> <table> <tr> <th>Particulars</th><th>Rama Ltd.(Rs)</th><th>Suzy Ltd. (Rs.)</th></tr> <tr> <td>Equity@ 100 each</td><td>10,00,000</td><td>30,00,000</td></tr> <tr> <td>Loan @ 10% p.a.</td><td>20,00,000</td><td>-----</td></tr> <tr> <td>Total Capital</td><td>30,00,000</td><td>30,00,000</td></tr> <tr> <td>EBIT</td><td>7,50,000</td><td>7,50,000</td></tr> <tr> <td>Interest @ 10%</td><td>(2,00,000)</td><td>-----</td></tr> <tr> <td>EBT</td><td>5,50,000</td><td>7,50,000</td></tr> <tr> <td>Less tax@30%</td><td>1,65,000</td><td>2,25,000</td></tr> <tr> <td>EAT</td><td>3,85,000</td><td>5,25,000</td></tr> <tr> <td>EPS</td><td>3.85(3,85,000/1,00,000)</td><td>1.75(5,25,000/3,00,000)</td></tr> </table>	Particulars	Rama Ltd.(Rs)	Suzy Ltd. (Rs.)	Equity@ 100 each	10,00,000	30,00,000	Loan @ 10% p.a.	20,00,000	-----	Total Capital	30,00,000	30,00,000	EBIT	7,50,000	7,50,000	Interest @ 10%	(2,00,000)	-----	EBT	5,50,000	7,50,000	Less tax@30%	1,65,000	2,25,000	EAT	3,85,000	5,25,000	EPS	3.85(3,85,000/1,00,000)	1.75(5,25,000/3,00,000)	4 marks for calculating EPS and1 marks for correct decision)
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Company Rama LTD. will generate higher yield (dividend).

OR

Dividend decision.

Factors affecting dividend decision are; (any four)

(a) Stability of Dividend Every company adopts the policy of maintaining the stability of dividend per share. From this point of view, a little change in profit should not be allowed to increase or decrease the dividend.

(b) Legal Constraints Certain provisions of the Companies Act put restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividend.

(c) Access to Capital Market Large and reputed companies generally have easy access to the capital market and therefore may be depended less on retained earnings to finance their growth. These companies tend to pay higher dividends

(d) Cash position is better than more dividend and vice versa

4 marks for
calculating EPS and 1
marks for correct
decision)