

Series SC/SP

Code No. SP-16

Business Studies

*Time Allowed: 3 hours**Maximum: 80*

General Instructions:

- (i) *There are 25 questions in all.*
- (ii) *All questions are compulsory.*
- (iii) *Marks for each question are indicated against it.*
- (iv) *Answers to questions carrying 1 mark may be from **one word to one sentence**.*
- (v) *Answer to questions carrying 3 marks may be from **50 to 75 words**.*
- (vi) *Answer to questions carrying 4-5 marks may be about **150 words**.*
- (vii) *Answer to questions carrying 6 marks may be about **200 words**.*
- (viii) *Attempt all parts of a question together.*

Section A

(1 mark each)

1. State any one characteristic of co-ordination. 1
2. How does management help in increasing efficiency? 1
3. What is meant by “single use plan?” 1
4. Laxmi Chemicals Ltd., a soap manufacturing company wanted to increase its market share from 30% to 55% in the long run. A recent report submitted by the Research & Development Department of the company had predicted a growing trend of herbal and organic products. On the basis of this report the company decided to diversify into new variety of soaps with natural ingredients having benefits and fragrances of Jasmine, Rose, Lavender, Mogra, Lemon Grass, Green Apple, Strawberry etc. The Unique Selling Proposition (USP) was to promote eco-friendly living in the contemporary life 1

style. The company decided to allocate Rs.30 crores to achieve the objective.

Identify the type of one of the functions of management mentioned above which will help the company to acquire dominant position in the market.

5. Reshu's father has gifted her shares of a large cement company, with which he had been working. The securities were in physical form. She already has a bank account and does not possess any other forms of securities. She wished to sell the shares and approached a registered broker for the purpose. Mention one mandatory detail which she will have to provide with the broker. 1
6. How do rising prices affect the requirement of working capital of an organisation? 1
7. Good Living Ltd. manufactures mosquito repellent tablets. These tablets are packed in strips of 12 tablets each. Each of these strips are packed in a cardboard box, 48 such boxes are then placed in a big corrugated box and delivered to various retailers for sale. State the purpose of packaging the tablets in a corrugated box. 1
8. Shreemaya Hotel in Indore was facing a problem of low demand for its rooms due to off season. The Managing Director (MD) of the hotel, Mrs. Sakina was very worried. She called upon the Marketing Manager, Mr.Kapoor for his advice. He suggested, that the hotel should announce an offer of '3 Days and 2 Nights hotel stay packaged with free breakfast and one day religious visit to Omkarehswar and Mahakaleshwar Temples'. The MD liked the suggestion very much. Identify the promotional tool, which can be used by the hotel, through which large number of prospective pilgrimage tourists, all over the country and also abroad, can be reached, informed and persuaded to use the incentive. 1

Section B

(3 marks each)

9. State any three points which highlight the importance of delegation for an organisation. 3
10. Explain any two factors affecting price of a product. 3
11. 'If anything goes wrong with the performance of key activities, the entire organization suffers. Therefore, the organization should focus on them.' Explain the statement with a suitable example. 3
12. Aakanksha, Nikita and Parishma are the owners of a handicraft unit in the urban area of Dibrugarh in Assam, which is involved in the manufacturing and marketing of Sital Pati, traditional mats and Jappi (the traditional 3

headgear). They decided to shift this manufacturing unit to a rural area with an objective of reducing the cost and providing job opportunities to the locals. They followed the functional structure in this organisation with a view to increasing managerial and operational efficiency.

They assessed and analysed the type and number of employees required, keeping in mind that they had to encourage the women, and the people with special needs belonging to the rural area. State the next three steps that they will have to undertake, for obtaining a satisfied workforce for their handicraft unit.

13. Saqib Ltd. is a large credit worthy company operating in the Kashmir Valley. It is an export oriented unit, dealing in exclusive embroidered shawls. The floods in the Valley 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 organisation, the suppliers of raw material who were earlier selling on credit are 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 finance manager of the company name and explain the alternative to bank borrowing that the company can use to resolve the crisis. 3

Section C

(4 marks each)

14. Nutan Tiffin Box service was started in Mumbai by Mumbai Dabbawalas. The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty homemade tiffin to all office goers at right time and place. The service is uninterrupted even on the days of bad weather, political unrest and social disturbances. Recently they have started online booking system through their website 'mydabbawala.com'. Owing to their tremendous popularity amongst the happy and satisfied customers and members, the dabbawalas were invited as guest lecturers by top business schools. The Dabbawalas operate in a group of 25-30 people along with a group leader. Each group teams up with other groups in order to deliver the tiffin on time. They are not transferred on frequent basis as they have to remember the addresses of their customers. They follow certain rules while doing trade- No alcohol during working hours; No leave without permission; Wearing of white cap & carrying ID cards during business hours. Recently on the suggestion of a few self motivated fellow men, the dabbawalas thought out and executed a plan of providing food left in tiffins by customers to slum children. They have instructed their customers to place red sticker if food is left in the tiffin, to be fed to poor children later. 4
- a) State any one principle of management given by Fayol & one characteristic of management mentioned in the above case.

- b) Give any two values which the Dabbawalas want to communicate to the society.
15. Kiran Industries is company manufacturing office furniture. The company chose to diversify its operations to improve its growth potential and increase market share. As the project was important many alternatives were generated for the purpose and were thoroughly discussed amongst the members of the organisation. After evaluating the various alternatives Sukhvinder, the Managing Director of the company decided that they should add 'Home Interiors and Furnishings' as a new line of business activity. 4
- a) Name the framework, which the diversified organisation should adopt, to enable it to cope with the emerging complexity? Give one reason in support of your answer.
- b) State any two limitations of this framework.
16. Mrs. Rajlaxmi is working as the Human Resource Consultant in a firm manufacturing cosmetic, which is facing a problem of high employee turnover. The CEO of the company has invited suggestions from her for retaining the talented employees & reducing the employee turnover. Mrs. Rajlaxmi recommends that the good employees be rewarded in a way that it creates a feeling of ownership among the employees and at the same time makes them contribute towards the growth of the organization. 4
- a) Identify the incentive and explain its type, which has been suggested by Mrs. Rajlaxmi to the CEO of the company.
- b) Also explain any two other incentives of the same type.
17. Enumerate any two techniques of scientific management. 4
18. "A financial market is for the creation and exchange of financial assets." Explain any two of its functions. 4
19. "Every time I travelled, people asked me to bring them chips, khakra and pickles from all over the country," says Anoushka. Finally, she and her colleague, Sumeet, decided to make a business out of it. They launched a facebook page, asked people what they wanted and they came up with a list of about 100 places and tied up with two dozen vendors to begin with. They were servicing people from Jaipur who wanted spices from Kerala, people from Panipat who wanted halwa from Jammu and people from Delhi who ordered for fresh tea leaves from Darjeeling. Through their business they wished to bridge the gap between sellers and buyers. The business is now worth millions. 4
- Explain any two important activities that Anoushka and Sumeet will have to be involved in for making the goods available to the customers at the right place, in the right quantity and at the right time.

Section D

(5 marks each)

20. Joseph Bros. was a firm manufacturing jute lamp shades. It uses left over jute pieces from various jute factories to manufacture economical lamp shades which are supplied to various hotels in nearby towns. It employs men and women from nearby villages as workers for creating good lamp shade designs. 5
- Joseph Bros., is not able to meet its targets. Namish, the supervisor of the company, was told to analyse the reasons for the poor performance. Namish found following problems and suggested certain solutions in the working of the business. The number of workers employed was less than what was required for the work. As a result, the existing workers were overburdened. The firm decided to search for new workers and it asked the present employees to introduce candidates or recommend their friends and relatives to the firm. This enabled the firm in "putting people to jobs" and assured attainment of objectives according to plans.
- a) Identify the functions of management being performed by the firm in the above situation.
 - b) Name the concept and its source used by the firm to attract more workers for the firm.
 - c) State any two values being followed by Jacob Bros.
21. Suhasini a home science graduate from a reputed college has recently done a cookery course. She wished to start her own venture with a goal to provide 'health food' at reasonable price. She discussed her idea with her teacher (mentor) who encouraged her. After analyzing various options for starting her business venture, they shortlisted the option to sell readymade and 'ready to make' vegetable shakes and sattu milk shakes. Then, they both weighed the pros and cons of both the shortlisted options. 5
- a) Name the function of management being discussed above and give any one of its characteristics.
 - b) Also briefly discuss any three limitations of the function discussed in the case.
22. State any five semantic barriers to communication in an organization. 5

Section E

(6 marks each)

23. "A good understanding of environment by business managers enables them not only to identify and evaluates but also to react to the forces external to their firm." 6

In the light of the above statement explain any four points of importance of understanding business environment by a manager.

24. 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 modernisation 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 lakh would be required for undertaking the modernization and expansion programme. He also informed her that the stock market was going through a bullish phase. 6
- (a) 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.
- (b) Explain any two other factors, apart from those stated in the above situation, which Shalini should keep in mind while taking this decision.
25. Aman a degree holder in Entrepreneurship came to know about Piplantri Village located in Rajasthan, where in 2006 an initiative was started, in which 111 trees are planted every time a girl child is born. To keep termites away from the trees the villagers have planted 2.5 million Aloe Vera plants around the trees. This has turned the village into an oasis, as the planting of trees led to higher water levels. Aman decided to visit the village to start a business unit, for the processing and marketing of Aloe Vera into juices, gels and other products. However, on visiting the village Aman found that the villagers were suffering exploitation at the hands of local merchants who were engaged in unscrupulous, exploitative trade practices like hoarding and black marketing of food products and also selling unsafe, adulterated products to the villagers. After looking at their plight instead of a business organisation he decided to set up an organisation for the protection and promotion of the consumer interest of the villagers. 6
- State the functions that the organisation established by Aman will be performing. (Any six points)

ANSWERS

Section A

(1 mark each)

1. **Characteristics of coordination:** (Any one of the following)
 1. integrates unrelated group efforts into purposeful work activity
 2. ensures unity of action
 3. continuous process
 4. pervasive function required at all levels of management
 5. function performed by every manager
 6. function performed in a deliberate and conscious manner
2. In management, efficient utilization means minimization of cost and maximization of benefits in achievement of goals. A manager reduces cost and increases productivity through better planning, organizing, directing, staffing and controlling the activities of the organization.
3. A single use plan is used for a specific period or to achieve a particular objective only. These are required to be formulated again and again. Programmes, strategies and budgets are single use plans.
4. **Function of management** – Planning;
Type of plan – Strategy
5.
 1. Permanent Account Number (PAN)
 2. Bank Details
6. With rising price level, working capital requirement of a business will also be high to maintain a constant volume of production and sales. Prices of raw material will also be high
7. **Purpose of packaging** (any one):
 1. To protect the product from spoilage, breakage, etc.
 2. Packaging helps in identification of products easily
 3. To promote the product
 4. To make product convenient to store and transport

8. Advertising

Section B

(3 marks each)

9. **Importance of delegation** (any three of the following):
1. **Effective management** through empowerment of employees
 2. **Employee development** by providing them with the chance to use their skills and experience.
 3. **Motivates employees** by giving them responsibility which builds their self-esteem
 4. **Facilitates organizational growth** by providing ready workforce to take up any expansion program
 5. **Provides basis of management hierarchy** by establishing superior-subordinate relationship
 6. **Helps in better coordination** as it avoids overlapping of tasks and duties
10. **Factors affecting price of a product** (any two of the following):
1. Product cost
 2. Demand of the product in the market
 3. Extent of competition in the market
 4. Government and legal regulations
 5. Pricing objectives
 6. Marketing methods used
11. **Element used in the statement: 'Critical Point Control'** while analyzing deviation in the process of controlling.
It emphasizes that deviations in the key areas need to be attended more urgently as compared to deviations in certain insignificant areas.
- For example, in a manufacturing unit, an increase of 6% in the wages may be more troublesome than a 15 % increase in office stationery charges. (or any other suitable example)
12. The next three steps Aakanksha, Nikita and Parishma will have to undertake in the process of staffing are as follows:
1. Recruitment
 2. Selection
 3. Placement and Orientation
13. The alternative to bank borrowing that a company can use is '**Commercial Paper**'.

It is issued by large and creditworthy companies to raise short term funds at lower rate of interest than market rates. It is a short term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period.

Section C

(4 marks each)

14. a) **Principle of Management by Fayol** (any one of the following):
- Stability of Personnel
 - Initiative
 - Discipline
 - Esprit de Corps
- Characteristics of Management** (any one of the following):
- Goal oriented
 - Dynamic function
 - Intangible Force
 - Group Activity
 - Multi Dimensional
 - Continuous process
 - All pervasive
- b) values which the Dabbawalas want to communicate to the society:
- Fulfilling social responsibility
 - Team work
 - Empathy towards disadvantaged children
- (or any other suitable value)
15. a) Framework, which the diversified organisation should adopt – **Divisional Structure**
- Reasons in support** (any one of the following):
- Advantages of Divisional Structure:**
- Product specialization
 - High motivation for managerial staff
 - Facilitates expansion and growth
 - Provides flexibility and responsibility
- b) **Limitations of Divisional Structure** (any two of the following):
- Conflicts among different divisions
 - Costly
 - May ignore organizational interests
 - Difficult to exercise overall control
16. a) **Incentive** – Financial incentives
- Types of Financial Incentives** – Co –Partnership/ Stock Option
- b) **Other financial incentives** (any two from following):
- Pay and allowances
 - Productivity linked wage incentives

- iii. Bonus
- iv. Profit Sharing
- v. Retirement Benefits
- vi. Perquisites

17. **Techniques of scientific management** (explain any two from following):
- i. Functional foremanship
 - ii. Standardization and Simplification
 - iii. Time study
 - iv. Motion study
 - v. Fatigue study
 - vi. Method study
 - vii. Differential piece rate system
18. **Functions of Financial Market** (any two of following):
- i. Mobilisation of savings and channelising them into most productive manner
 - ii. Facilitates price discovery
 - iii. Provides liquidity to financial assets
 - iv. Reduce the cost of transactions
19. Process of making the goods available to the customers at the right place, in the right quantity and at the right time is called '**Physical Distribution**'.
Components of Physical Distribution:
- i. Order processing
 - ii. Transportation
 - iii. Warehousing
 - iv. Inventory

Section D

(5 marks each)

20. a) Functions of management being performed by the firm – **Staffing and Controlling**
b) Concept used by the firm to attract more workforce - **Recruitment**
- Source of Recruitment** – External Source of Recruitment;
Recommendations of present employees
- c) Values being followed by Joseph Bros.:
- i. Creating employment opportunities
 - ii. Efficient utilisation of resources
- (or any other suitable value)
21. a) **Function of management** – Planning
Characteristics of Planning (any one of the following):
- i. Planning focuses on achieving targets.

- ii. Planning is primary function of management.
 - iii. Planning is all pervasive; required in all types of organisation and at all levels.
 - iv. Planning is continuous process.
 - v. Planning is futuristic.
 - vi. Planning involves decision making.
 - vii. Planning is a mental exercise.
- b) **Limitations of Planning** (any three of following)
- i. It leads to rigidity.
 - ii. It may fail in dynamic environment.
 - iii. It hinders creativity.
 - iv. It is a time consuming process.
 - v. It does not ensure guarantee success.

22. Semantic barriers to communication in an organization:
- i. Badly expressed message
 - ii. Symbols with different meanings
 - iii. Faulty translation of message
 - iv. Unclarified assumptions
 - v. Use of technical jargon
 - vi. Body language and gesture decoding may be misunderstood

Section E

(6 marks each)

23. **Importance of understanding business environment by a manager** (any four of the following):
- i. It enables the manager to identify opportunities and getting the first-mover advantage.
 - ii. It helps the manager to identify threats and early warning signals.
 - iii. It helps the manager in tapping useful resources.
 - iv. It helps the manager in coping with rapid changes.
 - v. It helps the manager in assisting in planning and policy formulation.
 - vi. It helps the manager in improving performance.
24. a) Source of finance Shalini should not choose for financing the modernization and expansion of her food processing business – Debt
Any of the following reasons:
1. Due to weak cash flow position, the firm may not be able to honour fixed cash payment obligations.
 2. Increased fixed operating cost will increase the business risk therefore debt should not be issued as it further increases the financial risk.
 3. The stock market condition being bullish, the investors will prefer to buy equity shares.
- b) Other factors which Shalini would keep in mind are as follows:

- i. Return on Investment
- ii. Tax Rate
- iii. Cost of Equity
- iv. Floatation Costs
- v. Flexibility
- vi. Control Consideration
- vii. Regulatory Framework
- viii. Capital Structure of other companies.
- ix. Debt Service Coverage Ratio
- x. Interest Coverage Ratio
- xi. Cost of Debt

25

Organisation established by Aman – Consumer Organisation/NGO
Functions performed by a consumer organisation/NGO:

- i. Educating the villagers/general public about consumer rights by organising training programmes, seminars and workshops.
- ii. Publishing periodicals and other publications to impart knowledge about consumer problems, reliefs available and other matters of interest.
- iii. Collecting data on different products.
- iv. Investigation of the problems of consumers.
- v. Encouraging consumers to strongly protest and take active participation against unfair trade practices.
- vi. Providing legal assistance to consumers by way of providing aid, legal advice etc, in seeking legal remedy.
- vii. Filing complaints in consumer courts on behalf of consumers.
- viii. Motivating people to adopt socially desirable consumption standards.