

			MARKING SCHEME COMPTT– SEPTEMBER 2020 BUSINESS STUDIES 66/C/1 EXPECTED ANSWERS / VALUE POINTS	DISTRIBUTION OF MARKS
66/C/1	66/C/2	66/C/3		
SECTION A				
1	4	3	<p>The objective of management which consistently creates economic value for various constituents of society is :</p> <p>(A) Organisational objective (B) Social objective (C) Personal objective (D) Both Social and Personal objective</p> <p>Ans. (B) Social objective</p>	1 mark
2	1	4	<p>Which of the following is a component of economic environment ?</p> <p>(A) Concern with quality of life (B) Rates of saving and investment (C) Extent of government intervention in business (D) Birth and death rates</p> <p>Ans. (B) Rates of saving and investment</p>	1 mark



3	2	5	<p>The principles of management are said to be flexible as :</p> <p>(A) they aim at influencing behaviour of human beings.</p> <p>(B) they are general guidelines to action, but do not provide readymade solutions to management problems.</p> <p>(C) they can be modified by the manager when the situation so demands.</p> <p>(D) their application is dependent upon the prevailing situation at a particular point of time.</p> <p>Ans. (C) they can be modified by the manager when the situation so demands.</p>	1 mark
4	3	1	<p>State, giving reason, whether the following statement is <i>true</i> or <i>false</i> :</p> <p>“A rule is the prescribed way or manner in which a task has to be performed considering the objective.”</p> <p>Ans. The statement is false.</p> <p>Reason: A method is the prescribed way or manner in which a task has to be performed considering the objective.</p> <p>OR</p> <p>A rule is a specific statement that specifies clearly what is to be done or not to be done.</p>	<p>$\frac{1}{2}$</p> <p>+</p> <p>$\frac{1}{2}$</p> <p>=1 mark</p>



5	6	2	<p>Which of the following is <i>not</i> a step in the process of planning ?</p> <p>(A) Making assumptions about the future.</p> <p>(B) Evaluating different proposals in light of the objectives to be achieved.</p> <p>(C) Allocation of jobs to members of each department.</p> <p>(D) Seeing whether activities are performed as per schedule or not .</p> <p>Ans. (C) Allocation of jobs to members of each department.</p>	1 mark
6	9	7	<p>For delegation to be effective, it is necessary that authority granted must be commensurate with assigned _____ .</p> <p>Ans. Responsibility</p>	1 mark
7	5	6	<p>Identify the type of organisation structure from the organisational chart given below of Swastika Industries Ltd. located in Uttarakhand :</p> <p>Ans. Divisional Structure</p>	1 mark
8	7	9	<p>Which statement is <i>not</i> correct, with</p>	



			<p>respect to 'Organisation Structure' ?</p> <p>(A) Ensures coordination among human and physical resources.</p> <p>(B) Ensures smooth flow of communication.</p> <p>(C) Specifies relationship between people, work and resources.</p> <p>(D) Establishes standards for controlling.</p> <p>Ans. (D) Establishes standards for controlling.</p>	1 mark
9	8	10	<p>Using external sources for filling vacant positions:</p> <p>(i) Gives a wider choice.</p> <p>(ii) Simplifies the process of selection.</p> <p>(iii) Instils a competitive spirit among the existing employees.</p> <p>(iv) Does not infuse fresh talent in the organisation.</p> <p>Choose the correct option from the following :</p> <p>(A) (i) and (ii)</p> <p>(B) (i) and (iii)</p> <p>(C) (i), (iii) and (iv)</p> <p>(D) (ii) and (iv)</p> <p>Ans. (B) (i) and (iii)</p>	1 mark
10	12	8	_____ test is a measure of an	



			<p>individual's potential for learning new skills.</p> <p>(A) Personality</p> <p>(B) Aptitude</p> <p>(C) Intelligence</p> <p>(D) Interest</p> <p>Ans. (B) Aptitude</p>	1 mark
11	10	13	<p>State the objective of financial management.</p> <p>Ans. The objective of financial management is to maximise shareholders wealth by maximization of the current market price of equity shares of the company.</p>	1 mark
12	13	11	<p>Organisations which choose to diversify their operations require _____ fixed capital. (more/less)</p> <p>Ans. More</p>	1 mark
13	11	15	<p>'Temptations' is a food joint in Imperial Mall in Bengaluru. It is becoming popular among students and working people due to healthy, on-the-go dishes on its menu like 'Paneer Wrap',</p>	



			<p>‘Chickpeas Salad’, ‘Grilled Sandwiches’, etc.</p> <p>It has now decided to open two new branches in other parts of Bengaluru.</p> <p>Which financial decision has been discussed in the above case ?</p> <p>(A) Long-term investment decision (B) Short-term investment decision (C) Dividend decision (D) Financing decision</p> <p>Ans. (A) Long-term investment decision</p>	1 mark
14	17	12	<p>The process of classification of products into different groups on the basis of their important characteristics refers to which of the following marketing functions ?</p> <p>(A) Grading (B) Standardisation (C) Product designing (D) Marketing planning</p> <p>Ans. (A) Grading</p>	1 mark
15	14	14	<p>While the product _____ sets the lower limit of the price, the utility provided by the product sets the upper limit of price, which a buyer would be prepared to pay.</p>	1 mark



			Ans. Cost	
16	15	17	<p>State, giving reason, whether the following statement is true or false :</p> <p>“Advertising refers to short term incentives which are designed to encourage the buyers to make immediate purchase of a product.”</p> <p>Ans. The statement is false.</p> <p>Reason: Sales Promotion refers to short term incentives which are designed to encourage the buyers to make immediate purchase of a product.</p> <p style="text-align: center;">OR</p> <p>Advertising refers to an impersonal form of communication, which is paid for by the marketer to promote their products.</p>	<p style="text-align: right;">$\frac{1}{2}$</p> <p style="text-align: center;">+</p> <p style="text-align: right;">$\frac{1}{2}$</p> <p style="text-align: center;">=1 mark</p>
17	19	16	<p>Who among the following is <i>not</i> considered a consumer under the Consumer Protection Act, 1986 ?</p> <p>(A) A person who buys any goods for a consideration which has been paid.</p> <p>(B) A person who avails of any service for a consideration which has been promised.</p> <p>(C) A person who avails of a service for a commercial purpose.</p>	



			<p>(D) Any user of goods when such use is made with the approval of the buyer.</p> <p>Ans. (C) A person who avails of a service for a commercial purpose.</p>	1 mark
18	16	20	<p>Aarushi purchased a pack of biscuits. When she opened it, she felt the biscuits were stale. She carefully read the label on the pack of biscuits which mentioned : “If you are not satisfied with the product quality, write to our Customer Care Cell at Bell Foods Pvt. Ltd. B/321, Jalandhar, Punjab.”</p> <p>The biscuit company has set up its own consumer service and grievance cell to promote and protect the following right :</p> <p>(A) Right to Safety (B) Right to be Heard (C) Right to be Informed (D) Right to Consumer Education</p> <p>Ans. (B) Right to be Heard</p>	1 mark
19	20	18	<p>The package of KRM Rawa Idli Mix describes the procedure of cooking idlis in three easy steps. It also specifies its ingredients, instructions for storage and serving.</p> <p>The function performed by the label in</p>	



			<p>the above case is :</p> <p>(A) Describing the product and specifies its contents.</p> <p>(B) Identification of the product or brand.</p> <p>(C) Helping in promotion of products.</p> <p>(D) Providing information required by law.</p> <p>Ans. (A) Describing the product and specifies its contents.</p>	<p>1 mark</p>
20	18	19	<p>Arnav has recently started a business to sell computers. He hired a shop in Nehru Place in New Delhi, where he assembles various components to make computers and supplies them as per order.</p> <p>He performs a series of composite but separate functions simultaneously and ensures that computers are delivered in time as per orders. These functions are performed by all managers at all times. The feature of management highlighted above is : (A) Management is a continuous process.</p> <p>(B) Management is pervasive.</p> <p>(C) Management is dynamic.</p> <p>(D) Management is a group activity.</p> <p>Ans. (A) Management is a continuous</p>	<p>1 mark</p>



			process.	
			SECTION B	
21	23	23	<p>Vaibhav Sharma was working as the Production Manager in Crescent Pharmaceuticals Pvt. Ltd. To get his son admitted in school he wanted to take leave from the office but on the same day, an important meeting with the Chief Executive Officer (CEO) of the company was scheduled to discuss about some new medicines to be manufactured. Considering the significance of the meeting, he did not take leave. The CEO appreciated his exemplary behaviour as he gave priority to the organisational interest over his personal interest.</p> <p>Name and explain the principle of management being followed by Vaibhav Sharma in the above case.</p> <p>Ans. <u>Subordination of individual interest to General Interest</u></p> <ul style="list-style-type: none"> • This principle states that the interests of an organization should take priority over the interests of any one individual employee. • This is so because larger interests of 	<p>1 mark for naming the principle</p> <p style="text-align: center;">+</p> <p>2 marks for explanation</p> <p>=3 marks</p>



			the workers and stakeholders are more important than the interest of any one person.	
22	-	-	<p>Explain the following as significance of ‘organising’ function of management :</p> <p>(a) Benefits of specialisation</p> <p>(b) Clarity in working relationships</p> <p>(c) Development of personnel</p> <p><u>Ans. Significance of ‘organising’ function of Management</u></p> <p>(a) Benefits of specialization</p> <ul style="list-style-type: none"> • Organising leads to a systematic allocation of jobs amongst the work force. • Repetitive performance of a particular task allows a worker to gain experience in that area and leads to specialisation. <p>(b) Clarity in working relationships</p> <ul style="list-style-type: none"> • The establishment of working relationships clarifies lines of communication and specifies who is to report to whom. • This removes ambiguity in transfer of information and instructions. 	<p>1</p> <p>+</p> <p>1</p> <p>+</p> <p>1</p> <p>=3 marks</p>



		<p>(c) Development of personnel</p> <ul style="list-style-type: none"> • Effective delegation allows the managers to reduce their workload and explore areas for growth. • It also develops in the subordinate the ability to deal effectively with challenges and helps them to realise their full potential. 	
		<p>OR</p> <p>OR</p> <p>Explain the following types of plans :</p> <p>(a) Objectives</p> <p>(b) Strategy</p>	<p>OR</p>
		<p>Ans.</p> <p>(a) Objectives</p> <ul style="list-style-type: none"> • Objectives are the ends which the management seeks to achieve by its operations. • Objectives need to be expressed in specific terms i.e., they should be measurable in quantitative terms. • They are in the form of a written statement of desired results to be achieved within a given time period. 	<p>1 ½</p>
		<p>(b) Strategy</p> <ul style="list-style-type: none"> • A strategy is a comprehensive plan for accomplishing an organization objectives, 	<p>+</p> <p>1 ½</p>



			<p>taking business environment into consideration.</p> <ul style="list-style-type: none"> • A strategy provides the broad contours of an organisation's business. • It will also refer to future decisions defining the organisation's direction and scope in the long run. 	=3 marks
23	21	24	<p>Explain the following steps in the process of staffing :</p> <p>(a) Performance Appraisal</p> <p>(b) Promotion and Career Planning</p> <p>(c) Compensation</p> <p>Ans. Steps in the process of staffing :</p> <p>(a) Performance Appraisal</p> <ul style="list-style-type: none"> • Performance appraisal means evaluating an employee's current and/or past performance as against certain predetermined standards. • It also includes providing feedback to the employee on his/her performance. <p>(b) Promotion and Career Planning</p> <ul style="list-style-type: none"> • Promotions are an integral part of people's career. They refer to being placed in positions of increased responsibility. • Managers need to design activities to 	<p>1</p> <p>+</p> <p>1</p> <p>+</p>



			<p>serve employees' long-term interests.</p> <p>(c) Compensation</p> <ul style="list-style-type: none"> • Compensation refers to all forms of pay or rewards given to employees. • They may be in the form of direct financial payments and indirect payments. 	<p>1</p> <p>= 3 marks</p>
24	25	21	<p>Currently, the banking sector in the Indian economy is facing lots of problems. The rates of interest that banks are paying on deposits have sharply decreased; as a result banks are able to collect lesser amounts of deposits. Due to the policies of the Reserve Bank of India, lending rates have also decreased. The automobile industry is also facing a lot of problems and thus they have also reduced the prices of cars. This has encouraged people to take car loans from banks as the interest rates on loans, along with prices of cars in the automobile sector are declining.</p> <p>Due to this position of tight liquidity, 'The Oberoi Bank Ltd.' decided to raise funds by issuing an unsecured, short-term instrument which could be purchased by corporations, companies and individuals.</p>	



		<p>(a) Identify and explain the money market instrument used by ‘The Oberoi Bank Ltd.’ to raise funds.</p> <p>(b) Also explain the money market instrument used by the banks to maintain Cash Reserve Ratio.</p> <p>Ans. (a) The money market instrument used by ‘The Oberoi Bank Ltd.’ to raise funds is <u>Certificate of Deposit.</u></p> <ul style="list-style-type: none"> • It is an unsecured, negotiable, short-term instruments in bearer form, issued by commercial banks and development financial institutions. • It can be issued to individuals, corporations and companies during periods of tight liquidity. <p>(b) <u>The money market instrument used by the banks to maintain Cash Reserve Ratio is Call Money</u> by which banks borrow from each other for a period of one day to fifteen days.</p>	<p>1 mark for naming the instrument</p> <p>+</p> <p>1 mark for its explanation</p> <p>+</p> <p>½ mark for naming the instrument</p> <p>+</p> <p>½ mark for its explanation</p> <p>=1+1+1</p> <p>= 3 marks</p>
25	24	25	<p>‘Stay Fit’, a probiotic drink was launched in the market by Dabal India Ltd. and is available in various cities across the country. Doctors are</p>



		<p>recommending it as it is very useful for the stomach. The company is also using various tools to inform and persuade customers about its product.</p> <p>It has recently started free distribution of its samples to encourage the customers to know about its benefits to buy this probiotic drink in future.</p> <p>The company has also appointed a large number of salespersons, who contact the prospective buyers and communicate with them to make sales. This way, the company is able to develop personal rapport with its customers.</p> <p>In order to create awareness and to increase its popularity among school children, it also organises workshops for students and teachers. It also arranged visits of students and teachers to the factory to create awareness about the standards of hygiene adopted in processing and packaging, etc. This helps the company to build a positive image of its product in the society. This way the company is using a combination of communication tools to inform and persuade customers about their firm's product.</p> <p>Identify and explain these tools.</p> <p><u>Ans. Tools used by the company to inform</u></p>	<p>½ mark for</p>
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			<p><u>and persuade customers about their product are:</u></p> <p>(i) <u>Sales Promotion</u>: It refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service.</p> <p>(ii) <u>Personal Selling</u>: It involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales.</p> <p>(iii) <u>Public Relations</u>: It involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public.</p>	<p>identifying each tool</p> <p>+</p> <p>½ mark for its explanation</p> <p>= 1 x 3</p> <p>= 3 marks</p>
			SECTION C	
26	27	27	<p>The Government of India, in an effort to eliminate plastic waste, imposed a nationwide ban on single-use plastic. The ban would most likely target plastic cutlery, straws, cups and glasses.</p> <p>As a result of this ban, the businesses have been forced to change their</p>	



		<p>practices. ‘Viman Airlines’ decided to stop giving small water bottles on its flights.</p> <p>Various firms have come up in the country that are making biodegradable plastic out of starch, wheat hay or petrochemicals. Thus competition in this upcoming industry is immense.</p> <p>Businesses are also focusing on developing techniques to produce alternatives for plastic bags. ‘Carlos Technologies Ltd.’, a leading engineering company, has planned to design and deliver hi-tech machines that can scale up production of bags made from newspaper to replace plastic bags. Many companies are placing orders for such machines. This has added challenges before smaller firms making paper bags.</p> <p>In various enterprises, employees are being trained to operate such hi-tech machines. This will provide human resource with higher competence.</p> <p>Customers have also become more demanding due to increased awareness and are forcing sellers to adopt bags which are not made of plastic.</p> <p>Identify and explain the impact of the above Government policy on Business and Industry.</p>	<p>½ mark for Identifying the impact</p>
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			<p>Ans. <u>The impact of the above Government policy on Business and Industry in the above case are:</u></p> <p>(i) Necessity for change (ii) Increasing competition (iii) Need for developing human resource (iv) Rapidly changing technological Environment</p>	<p>+</p> <p>½ mark for its explanation</p> <p>= 1 x 4</p> <p>= 4 marks</p>
27	26	28	<p>Alka is working in the Accounts Department of ‘Modern Locks Ltd’. Her mother is not well and to attend to her she wanted to take leave for one week. For this, she went to the Senior Accountant, Manoj and discussed her problem. At that time Manoj was simultaneously checking the Balance Sheet of the company. Since his mind was preoccupied in some work, he did not listen to Alka attentively and could not understand her problem.</p> <p>Alka was quite disappointed with the behaviour of Manoj.</p> <p>(a) Identify the type of communication barrier discussed above.</p> <p>(b) Also explain any three barriers of the same type.</p> <p>Ans.</p>	<p>1 mark for identifying the type of barrier</p> <p>+</p> <p>(½ mark for naming the barrier</p> <p>+ ½ mark for its explanation</p>



			<p>(a) The type of communication barrier is Psychological Barrier /Lack of attention.</p> <p>(b) <u>Other Psychological Barriers</u></p> <p>(i) Premature evaluation</p> <p>(ii) Loss by transmission and poor retention</p> <p>(iii) Distrust</p>	<p>= 1 x 3 = 3 marks)</p> <p>= 1+3 = 4 marks</p>
28	-	-	<p>Explain any four methods of floatation of new issues in the primary market.</p> <p>Ans. <u>Methods of floatation (Any Four):</u></p> <p>(i)Offer through Prospectus</p> <p>(ii)Offer for Sale</p> <p>(iii)Private Placement</p> <p>(iv)Rights Issue</p> <p>(v)e-IPOs</p> <p style="text-align: center;">OR</p> <p>Explain any four factors affecting ‘Dividend decision’.</p> <p><u>Factors affecting ‘Dividend decision’ (Any Four)</u></p> <p>(i) Amount of Earnings</p> <p>(ii) Stability of earnings</p>	<p>$\frac{1}{2}$ mark for naming the method + $\frac{1}{2}$ mark for its explanation = 1 x 4 =4 marks</p> <p style="text-align: center;">OR</p> <p>$\frac{1}{2}$ mark for naming the</p>



			(iii) Stability of dividends (iv) Growth Opportunities (v) Cash Flow Position (vi) Shareholders' Preference (vii) Taxation Policy (viii) Stock Market Reactions (ix) Access to capital market (x) Legal Constraints (xi) Contractual Constraints	factor + ½ mark for its explanation = 1 x 4 4 marks
			SECTION D	
29	31	31	Explain any five characteristics of coordination. Ans. <u>Characteristics of coordination</u> (any five): (i) Integrates group efforts (ii) Ensures unity of action (iii) Continuous process: (iv) Pervasive function (v) Responsibility of all managers (vi) Deliberate function <p style="text-align: center;">OR</p> Is management a profession ? Explain. Ans. Any body of knowledge that qualifies to become a profession must fulfill the	 ½ mark for naming the characteristic + ½ mark for its explanation = 1 x 5 = 5 marks <p style="text-align: center;">OR</p> 1 mark



		<p>following features:</p> <ul style="list-style-type: none"> (i) Well defined body of knowledge (ii) Restricted entry (iii) Professional association (iv) Ethical code of conduct (v) Service motive <p>On the basis of above features, it can be said that <u>all the features of profession are not fully present</u> in management:</p> <p>(i) <u>Well defined body of knowledge</u>: The subject of management is taught at different institutions to provide management education. So, this feature of profession is present in management.</p> <p>(ii) <u>Restricted entry</u> There is no restriction on anyone being appointed as a manager in any business enterprise. So, presently this feature of profession is not present in management.</p> <p>(ii) <u>Professional association</u> There are several associations of practising managers in India, like the AIMA, that have laid down a code of conduct to regulate the activities of their members, but, there is,</p>	<p style="text-align: center;">+</p> <p>1 mark for each feature <u>not fully present</u> in management</p> <p style="text-align: center;">= 1 x 4 = 4 marks</p>
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			<p>however, no compulsion for managers to be members of such associations.</p> <p>So, presently this feature of profession is not fully present in management</p> <p>(iii) <u>Ethical code of conduct</u></p> <p>AIMA has devised a code of conduct for Indian managers but there is no statutory backing for this code.</p> <p>So, presently this feature of profession is not fully present in management.</p> <p>(iv) <u>Service motive</u></p> <p>The basic purpose of management to help the organisation achieve its goals by providing good quality products at reasonable prices, thereby, serving the society, is being increasingly recognised. So, presently this feature of profession is not fully present in management.</p> <p>It can be concluded that <u>management is not a full fledged profession.</u></p>	<p>=1+4 = 5 marks</p>
30	-	-	<p>State any five benefits of training to the organisation.</p> <p>Ans. <u>Benefits of Training to the organisation.</u></p> <p>(i) Training is <u>systematic learning</u>. It is</p>	



		<p>always better than hit and trial methods that lead to wastage of efforts and money.</p> <p>(ii) Training <u>equips the future manager</u> who can take over in case of emergency.</p> <p>(iii) Training <u>increases employee morale</u> and reduces absenteeism and employee turnover.</p> <p>(iv) It <u>enhances employee productivity</u> both in terms of quantity and quality, leading to higher profits.</p> <p>(v) It helps in obtaining <u>effective response to fast changing environment</u> – technological and economic.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded.)</p> <p style="text-align: center;">OR</p> <p>State any five duties that are performed by the human resource personnel.</p> <p><u>Duties performed by the Human Resource</u></p>	<p style="text-align: right;">1 x 5</p> <p style="text-align: right;">=5 marks</p> <p style="text-align: right;">OR</p>
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		<p><u>Personnel (Any five):</u></p> <p>(i) Recruitment: It means searching for qualified people and stimulating them to apply for jobs in the organisation.</p> <p>(ii) Job Description: It includes analysing jobs and collecting information about them to prepare job descriptions.</p> <p>(iii) Compensation: It involves developing compensation and incentive plans given to employees to reward performance.</p> <p>(iv) Training and Development: It involves designing programmes aimed at improving performance of employees and their career growth.</p> <p>(v) Labour Relations: It is the duty of Human Resource Personnel to maintain labour relations and union management relations.</p> <p>(vi) Grievances: Human Resource Personnel also handle grievances and complaints of employees related to the organisation.</p>	<p>1 x 5</p> <p>=5 marks</p>
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			<p>(vii) Welfare of employees: Human Resource Personnel also look into welfare of employees and providing for social security.</p> <p>(viii) Legal matters: They are also involved in defending the company in law suits and avoiding legal complications.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded.)</p>	
31	29	29	<p>Sun Industries Ltd. is a leading company in India which manufactures steel. Its plants are located in Jamshedpur and Bokaro.</p> <p>Currently it produces about three million tonnes of saleable steel. As the demand for steel is growing, it is planning to expand the capacity of the existing steel plants. It is estimated that it will require 1,800 crore of fixed capital and < 200 crore of working capital.</p> <p>To raise the funds, the company is considering whether it should issue equity shares or 7% debentures of < 2,000 crore. Presently the capital</p>	



		<p>structure is comprising of equity only. The Finance Manager of the company suggested that since the stock markets are undergoing a bearish phase, it should issue debentures.</p> <p>(a) Is it justified to raise funds by issuing debentures ? Give reason in support of your answer.</p> <p>(b) Explain the impact of issue of debentures on the risk faced by the company.</p> <p>(c) Explain the impact of ‘cost of debt’ and ‘cost of equity’ on the capital structure of the company</p> <p>Ans.</p> <p>(a) <u>Yes, it is justified</u> to raise funds by issuing debentures.</p> <p>Reason: (Any one)</p> <p>(i) During a bearish phase in the capital market, a company may find raising of equity capital more difficult and it may opt for debt.</p> <p>(ii) It will help to lower the overall cost of capital.</p> <p>(iii) It will help to reduce the tax liability.</p>	
			<p>½ mark</p> <p>+</p> <p>½ mark</p> <p>+</p>



		<p>(b) The issue of debentures will <u>increase the financial risk</u> faced by the company as the payment of interest and the return of principle is obligatory for the business. Any default in meeting these commitments may force the business to go into liquidation.</p> <p>(c) <u>Impact of 'cost of debt' on the capital structure of the company:</u></p> <p>More debt can be used in the capital structure if debt can be raised at a lower rate.</p> <p><u>Impact of 'cost of equity' on the capital structure of the company:</u></p> <p>When a company increases debt, the financial risk faced by the equity shareholders increases. Consequently, their desired rate of return may increase due to which cost of capital will increase.</p> <p style="text-align: center;">OR</p> <p>From last many years, in the month of November, due to sudden rise in the pollution levels in Delhi and other parts</p>	<p>2 marks</p> <p style="text-align: center;">+</p> <p>1 mark</p> <p style="text-align: center;">+</p> <p>1 mark</p> <p>= 5 marks</p> <p style="text-align: center;">OR</p>
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		<p>of northern India, there has been an increase in the demand for air purifiers. Inderprastha Technologies Ltd., a manufacturer of air purifiers wants to encash this opportunity and wants to raise its investment in stock. It is expected that this decision would increase the rate of profitability of the business. Due to this many competitors have recently entered in this industry. In order to increase the sales, the company has started selling air purifiers on liberal credit terms. It is not affecting the profits of the company since the production cycle of the product is short.</p> <p>Identify and state any two factors that ‘Inderprastha Technologies Ltd.’ will keep in mind before deciding its working capital requirements. Also state three other factors which should be kept in mind while deciding the working capital requirements of a company.</p> <p><u>Ans. Factors that ‘Inderprastha Technologies Ltd.’ will keep in mind before deciding its working capital requirements:</u> <u>(Any two)</u></p> <p>(i) Seasonal Factor: Peak season requires higher working capital than lean season due to higher level of activity.</p>	<p>½ mark for identifying each factor</p> <p>+</p> <p>½ mark for its explanation</p> <p>1 x 2 = 2 marks</p>
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		<p>(ii) Level of competition: Higher competition requires larger stocks to meet urgent orders , thus, higher working capital is required.</p> <p>(iii) Credit Allowed : A liberal credit policy results in higher level amount of debtors, increasing the requirements of working capital.</p> <p>(iv) Production cycle: Shorter the production cycle, lower is the amount of working capital.</p> <p><u>Other factors affecting working capital requirements of a company: (Any three)</u></p> <p>(i) Nature of Business: A manufacturing business requires more working capital than a trading business since raw material is converted into finished goods.</p> <p>(ii) Business Cycle: In case of boom, larger working capital is required as production and sales are more in comparison to depression phase.</p> <p>(iii) Operating efficiency: Operating</p>	<p>+</p> <p>½ mark for identifying each factor</p> <p>+</p> <p>½ mark for its explanation</p> <p>=1 x 3</p> <p>= 3 marks</p>
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		<p>efficiency reduces the levels of inventories and debtors, thereby, reducing working capital requirements.</p> <p>(iv) Availability of raw materials: Easy and continuous availability of raw materials enables the firms to keep lesser stock and work with smaller working capital.</p> <p>(v) Growth prospects: Higher growth prospects will require larger amounts of working capital to meet higher production and sales target.</p> <p>(vi) Inflation: With rising prices, larger amounts are required to maintain a constant volume of production and sales, thus, increasing the need for working capital.</p> <p>(vii) Credit availed: To the extent the firm avails credit on purchases, the working capital requirement is reduced.</p> <p>(viii) Scale of operations: A larger scale organization requires larger amount of working capital as compared to a small scale organisation .</p>	<p>= 2+ 3 = 5 marks</p>
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			SECTION E	
32	32	32	<p>InfoMed Ltd. is a growing IT firm with rapidly increasing market share. It has recently been awarded ‘The Best Organisation to Work in India – 2019’ and is the most sought after by job-seekers.</p> <p>In this company, rules and procedures to be followed by employees have been clearly laid down by the top management. There is no ambiguity in the role that each member has to play, as the duties are specified.</p> <p>During lunch time, all employees of the organisation get together in the canteen. This time is much awaited by every employee as it allows them to share their feelings with others. This leads to the success of the organisation.</p> <p>(a) Identify and explain the types of organisation being discussed in the above case.</p> <p>(b) State two advantages of each type of the organisation identified in (a) above which have not been discussed in the above para.</p>	1 mark for identifying each type of



		<p>Ans.(a) Types of organisations:</p> <p>(i) Formal Organisation</p> <p>(ii) Informal Organisation</p> <p>(b) Advantages of Formal Organisation (any two):</p> <p>(i) It is <u>easier to fix responsibility</u> since mutual relationships are clearly defined.</p> <p>(ii) <u>Unity of command</u> is maintained through an established chain of command.</p> <p>(iii) It leads to effective <u>accomplishment of goals</u> by providing a framework for the operations to be performed and ensuring that each employee knows the role he has to play.</p> <p>(iv) It provides stability to the <u>organization</u> as behaviour of employees can be fairly predicted since there are specific rules to guide them.</p> <p><u>Advantages of Informal Organisation</u> (any two):</p> <p>(i) Prescribed lines of communication are</p>	<p>organization = 1 x 2 =2 marks</p> <p>+</p> <p>1 x 2 = 2 marks</p> <p>+</p> <p>1 x 2 = 2 marks</p> <p>= 2+ 2+2</p> <p>6marks</p>
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			<p>not followed leading to <u>faster spread of information</u> as well as quick feedback.</p> <p>(ii) It helps to fulfill the <u>social needs</u> of the members and enhances their job satisfaction.</p> <p>(iii) It contributes towards fulfillment of organisational objectives by <u>compensating for inadequacies</u> in the formal organisation.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p>	<p style="text-align: center;">OR</p> <p style="text-align: center;">OR</p> <p>‘Good Looks Ltd.’ are the manufacturers of cosmetics. The company enjoyed a pre-eminent position in the business and has grown in size. Till recently the company had been doing good business; but after the entry of competitors the market share of ‘Good Looks Ltd.’ has declined. One of the reasons for this was that all decisions were taken by the higher management. This has resulted in the concentration of all decision-making</p>
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		<p>process at the apex of the management hierarchy. Worried about the decline in market share and profit, the company appointed ‘Structures Consultants India Ltd.’ as a consultant to suggest improvements in the organisation’s decision-making process. The consultant suggested that the decision-making responsibilities may be divided among hierarchical levels. They said that if decision-making authority will be shared with the lowest levels and is consequently placed near the point of action, it will help in quick decision-making and this will help the company in adapting itself to the dynamic operating conditions. They stated that the philosophy of dispersal of authority propagates the belief that people are competent, capable and resourceful and can assume the responsibility of effective implementation of their decisions.</p> <p>(a) Identify and give the meaning of the concept based on which ‘Structures Consultants India Ltd.’ gave their recommendations to ‘Good Looks Ltd.’.</p> <p>(b) Explain any four points of importance of the concept identified in (a) above.</p> <p>Ans. (a) <u>Decentralisation</u>: It means delegation of authority throughout all the</p>	<p>1 mark for identifying the concept</p> <p>+</p> <p>1 mark for the meaning</p> <p>+</p> <p>(½ mark for naming each point of importance</p> <p>+ ½ mark for its explanation)</p>
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			<p>levels of the organization and is consequently placed nearest to the points of action.</p> <p>(b) <u>Importance of Decentralisation</u> (any four):</p> <p>(i) Develops initiative among subordinates</p> <p>(ii) Develops managerial talent for the future</p> <p>(iii) Quick decision making</p> <p>(iv) Relief to top management</p> <p>(v) Facilitates growth</p> <p>(vi) Better control</p>	<p>= 1+1+(1 x 4)</p> <p>= 6 marks</p>
33	-	-	<p>Give the meaning of ‘Controlling’.</p> <p>Explain the steps in the process of controlling.</p> <p>Ans. <u>Meaning of Controlling</u>: Controlling means ensuring that activities in an organisation are performed as per the plans.</p> <p><u>Steps in Controlling Process</u></p> <p>(i) Setting performance standards</p> <p>(ii) Measurement of actual performance</p> <p>(iii) Comparison of actual performance with standards</p> <p>(iv) Analysing deviations</p> <p>(v) Taking corrective action</p>	<p>1 mark for the meaning</p> <p>+</p> <p>½ mark for naming each step</p> <p>+ ½ mark for its explanation</p> <p>= 1+ 5</p> <p>= 6 marks</p>



			<p style="text-align: center;">OR</p> <p>Give the meaning of ‘Directing’. Explain the points that highlight the importance of directing.</p> <p>Ans. <u>Meaning of Directing:</u> Directing refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.</p> <p><u>Importance of directing</u></p> <p>(i) Initiates action</p> <p>(ii) Integrates employees efforts</p> <p>(iii) Guides employees to fully realise their potential</p> <p>(iv) Facilitates introduction of needed changes</p> <p>(v) Brings stability and balance in the organization.</p>	<p style="text-align: center;">OR</p> <p>1 mark for the meaning</p> <p style="text-align: center;">+</p> <p>½ mark for naming each step</p> <p style="text-align: center;">+ ½ mark for its explanation</p> <p style="text-align: center;">= 1+ 5</p> <p style="text-align: center;">= 6 marks</p>
34	-	-	<p>After completing his studies, Mahesh started working in a Non-Governmental Organisation (NGO) as an Administrative Officer. The organisation is engaged in activities related to consumer welfare. One day when his mother returned home after shopping,</p>	



		<p>she gave him the mixed fruit juice which she had bought. After consuming the juice, Mahesh started feeling uneasy. On checking, he found that the juice packet purchased was without FPO mark. He realised that there is a strong need to educate consumers about the role of NGOs before buying any good or service. State any six functions which the NGOs can perform to impart knowledge and educate consumers.</p> <p><u>Ans. Functions performed by NGOs to impart knowledge and educate consumers:</u> <u>(Any six)</u></p> <p>(i) <u>Educating the general public</u> about consumer rights by organising training programmes, seminars and workshops.</p> <p>(ii) <u>Publishing periodicals</u> and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.</p> <p>(iii) <u>Carrying out comparative testing</u> of consumer products in accredited laboratories to test relative qualities of</p>	<p>1 x 6</p>
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		<p>competing brands and publishing the test results for the benefit of consumers.</p> <p>(iv) <u>Encouraging consumers to strongly protest</u> and take an action against unscrupulous, exploitative and unfair trade practices of sellers.</p> <p>(v) <u>Providing legal assistance</u> to consumers by way of providing aid, legal advice etc. in seeking legal remedy.</p> <p>(vi) <u>Filing complaints</u> in appropriate consumer courts on behalf of the consumers.</p> <p>(vii) Taking an initiative in <u>filing cases</u> in consumer courts in the interest <u>of the general public</u>, not for any individual.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p>	<p>=6 marks</p>
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