CBSE EXAMINATION PAPER 2010
Outside Delhi Set-1 (Solved)

Time : 3 Hours  Maximum Marks : 100

General Instructions :- Same as in CBSE Sample Paper

1. List any two personal objectives of management.
Ans. Two personal objectives of management are :
   (1) Goods, salary & other benefits.
   (2) Opportunity for training and promotion, etc.
   (3) Goods & healthy working condition.
   (4) Recognition of meritorious work. (Any two)

2. Give any one reason why principles of management are not rigid prescriptions.
Ans. Principle of management are not rigid or static because they are accepted as flexible and dynamic and guidelines and based on human behaviour.

3. Hero Ltd's target is to produce 10,000 shirts per month at a cost of Rs. 150 per shirt. The Production Manager could achieve this target at a cost of Rs. 160 per shirt. Do you think the Production Manager is 'effective'? Give reason in support of your answer.
Ans. No, manager is not effective because he achieved the predetermined goal at a higher cost.

4. State the objective of 'Motion Study'.
Ans. Objective of motion study is to determine the movement of workers when they are performing the job.

5. Give any one advantage of internal sources of recruitment.
Ans. Merits of internal sources of recruitment are -
   (1) Employees are motivated to improve their performance within the organisation.
   (2) Morale of the employee is increased because he will work in the same organisation at higher post.
   (3) Filling of job internally is cheaper as compared to external sources of recruitment.

6. Name the method of training in which the trainee learns under the guidance of a master worker.
Ans. On the job training.

7. Name any two essential ingredients of sound working capital management.
Ans. Two essential ingredients of sound working capital management are :
   (1) Ratio of total current assets to current liabilities must be 2:1.
   (2) Ratio of total quick assets to current liabilities must be 1:1.
The ingredients of working capital are higher the current assets and liquid assets than the current liabilities.

8. 'Cost of debt' is lower than the 'cost of equity share capital'. Give reasons why even then a company cannot work only with the debt.
Ans. A company cannot work only with debt because the lower cost of debt acts as a lower to increase the return on equity share capital.
9. Which Act of consumer protection provides safety to consumers against deficient services. [1]

10. Why is consumer protection important for businessmen? Give any one reason. [1]
Ans. A consumer protection is important for businessmen one reason – long term interest businessman can win and capture a big share in market only when they are able to satisfy customer's need.

11. Define planning. List any two limitations of planning. [3]
Ans. Planning ⇒ It can be defined as “thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done”.

Two Limitations of Planning.
(1) **Planning leads to rigidity** ⇒ Once plan are made to decide the future course of action the manager may not be in a position to change them. Following pre-decided plan when circumstances are changed may not bring positive result for organisation.
(2) **Planning may not work in dynamic environment** ⇒ Business environment is very dynamic as continuous changes taking place in economics, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if they changes are frequent.

12. Explain by giving any three reasons why decentralisation is important in an organisation. [3]
Ans. Three reason for importance of decentralisation –
(1) **Reduction of work load of higher level executives** ⇒ Since the authority is delegated to the lower level, the top level management is relieved from taking decisions. It need to concentrate on corporate planning and control and co-ordination of different activities of different departments.
(2) **Quick decisions making** ⇒ In decentralisation decisions are taken at the level where problems are faced. This speeds up the process of decision making.
(3) **Motivation of personnel** ⇒ Decentralisation means empowerment of lower level. The employee of lower level empowered to take decisions enjoy psychological satisfaction and feel motivated.

13. Explain when and why the need is felt for having a framework within which managerial and operating tasks are performed to accomplish desired goals. Name this framework also. [3]
Ans. Organisational structure is that framework within which managerial and operating tasks are performed to accomplish desired goals.

**Framework of Organisational Structure are:**
(1) **Job design** ⇒ In the organising process the total work is divided into various jobs and the manager has to get the jobs done from his employees. So, it must be specified very clearly what all activities have to be performed in a particular job.
(2) **Departmentation** ⇒ After division of work into jobs, the jobs are grouped together to form departments. While grouping the activities the managers must keep in mind that only the related or similar jobs are grouped under one department so that there can be specialisation.

14. Explain the following money market instruments:
(a) Certificate of deposit
(b) Call money
Ans. (a) **Certificate of deposit** ⇒ It represents a time deposit raised by a commercial bank. In other words, it is a document of title to the time deposit. It is issued by a bank against the deposit given by a company. Period of such deposits may be three months to 12 months. It is a transferable instrument and can be sold to any business firm. Banks are not allowed to discount certificate of deposit.

(b) **Call Money** ⇒ These are the funds for every short period ranging from 1 day to 14 days. Liquidity of call money is next only to cash. The borrowers of call money are commercial banks faced with a temporary shortage of cash and supplier of call money are also commercial banks with supplier funds. Mutual fund financial institution & insurance co. may also supply short-term funds.

15. **What is meant by ‘Product concept’ of marketing.**

Ans. **‘Product concept’ of marketing** ⇒ Firm can sell its product by producing inexpensive product. Some companies believe that it is easy to sell the products when products are inexpensive and are easily available.

So the firms following production concept focus on lowering the cost of production by means of mass production and distribution but the drawback of this concept is that consumers don’t always buy products which are inexpensive and available.

16. **Explain ‘Objectives’ and ‘Strategy’ as types of plan.**

Ans. **Objectives** ⇒ Objectives are the ends towards which activities are directed of an enterprise. They provide direction to various activities of the enterprise. They lay down the guidelines for various activities and constitute a source of legitimacy which justify the various activities of the organisation and also its very existence. Objectives serve as benchmarks for measuring the performance of various people working in the organisation. They guide decision-making and action in the organisation. Clear-cut objectives encourage consistency in decision-making, objectives are often expressed in quantitative, measurable and concrete terms.

**Strategy** ⇒ A strategy involves preparing the business for unforeseen and unpredictable events. In other words, a strategy is a plan of action to achieve specified business goals in the competitive environment because modern business environment operates in a competitive environment. For instance, a company may follow a number of strategies like charging a lower price for its products, using more sales force than competitors, advertising more heavily than competitors. Thus, strategies are a useful framework for guiding the enterprise’s thinking and action.

Strategy formulation involves 3 aspects:

1. Determination of long term objectives.
2. Adoption of a course of action to achieve objectives.
3. Deployment of resources necessary to achieve the objectives.

17. **Blue Birds Ltd. offers to its employees to issue shares at a price which is less than the market price.**

(i) Name and explain the type of incentive offered to the employees.

(ii) Explain one more incentive of the same category.

Ans. (i) **Monetary or Financial Incentives**

Type of incentives offered to the employees

(1) **Pay and allowances** ⇒ Regular increments in salary every year and grant of
allowance act as good motivators. To get increment and allowance employees perform to their best ability.

(2) Profit sharing ⇒ The organisation offers share in the profit to the employees for working efficiently.

(3) Bonus ⇒ Bonus is a one-time extra reward offered to the employees for sharing high performance. When the employees reach their target or exceed the target then they are paid extra amount called bonus.

(ii) One more incentive of the same category
(1) Commission ⇒ Commission is the common incentive offered to employees working under sales department. Generally, the sales persons get the basic salary and along with this, commission on every sales order.


Ans. Financial planning ⇒ It's means deciding in advance how much to spend and on what to spend, according to the funds at your disposal.

Two Reasons
(1) It facilitates collection of optimum funds ⇒ The financial planning estimates the precise requirement of funds which means to avoid wastage and over-capitalisation situation.

(2) Base for financial control ⇒ Financial planning acts as a basis for checking the financial activities by comparing the actual revenue with estimated revenue and actual cost with estimated cost.

It is important because:
(1) To ensure availability of funds whenever they are required.

(2) To see that firm does not raise resources unnecessarily.


Ans. Two advantages of informal organisation.
(1) Fast communication ⇒ Informal structure does not follow scalar chain so there can be faster spread of communication.

(2) Fulfils social needs ⇒ Informal communication gives due importance to psychological and social needs of employees which motivate the employees.

Two limitations of informal organisation
(1) Spread rumours ⇒ According to the survey 70% of information spread through informal organisation structure are rumours which may mislead the employees.

(2) No systematic working ⇒ Informal structure does not form a structure for smooth working of an organisation.

20. Explain the following 'rights' of consumers: [4]
(1) Right to be heard
(2) Right to seek redressal

Ans.
(1) Right to be heard ⇒ The consumer has a right to register dissatisfaction with any product and get his complaint heard. This right is of greater importance than the other rights. The consumer right to safety, to be informed to choose will be meaningless if the consumer doesn't have right to the heard. Therefore, grievances and claims of customers must be heard and considered by the business firms. Most of the reputed firms have set up
consumer service cell to listen the customer’s complaint and take appropriate steps to redress their grievances. Many newspapers have started special column through which consumers can express their grievances against the products and services they have bought.

(ii) Right to Seek Redressal ⇒ It is right to seek redressal against any defect in goods or any unfair trade practice suffered by the consumer. If the quality and performance of a product falls short of sellers claims the consumer has a right to certain remedies, the Consumer Protection Act requires that the product must be repaired, replaced or takes back by the seller as provided under the contract between the buyer and the seller. The govt. has set up district forums, state commissions and a national commission for the redressal of consumer grievances.

21. “Art is concerned with personal application of knowledge.” In the light of this statement compare all the features of art with management and prove that it is an art. [5]
Ans. “Art is concerned with personal application of knowledge.”

Management as an Art.

1. Systematic body of knowledge ⇒ In every art there is systematic and organised study material available to acquire theoretical knowledge of the art. In management also there is systematic and organised body of knowledge available which can help in acquiring managerial studies.

2. Personalised application ⇒ In the field of art only theoretical knowledge is not enough. Every artist must have personal skill and creativity to apply that knowledge. In management also all managers learn some management theories and principles.

3. Based on practice and creativity ⇒ The artist requires regular practice of all art to become more fine and perfect. Without practice artists lose their perfection. Same way with experience managers also improve their managerial skills and efficiency.

So, this feature of art is all present in management.

22. (i) Name and explain the principle of management in which workers should be encouraged to develop and carry out their plans for improvements in the organisation.
(ii) Name and explain the technique of scientific management which helps in eliminating unnecessary diversity of products and thus results in saving costs. [2½ + 2½ = 5]
Ans. (i) Name of this principle is the Principle of Initiative ⇒ Initiative refers to checking out the plan and implementing the same for the development of the organisation. Fayol’s suggested that employees in the organisation must be given an opportunity to take some initiative in making and executing a plan. It gives immense satisfaction to employees. So managers must welcome the suggestions and ideas of employees before framing the plan. The initiative doesn’t mean disobedience, i.e. once decisions are taken by management then every employee must follow it, whether it is according to their suggestions or not.

Positive effect of this principle
(1) Develops feelings of belongingness in the employees.
(2) Employees achieve the target on time if they are set up with their consultation.

(ii) Name of the technique of the Scientific management is standardisation and simplification of work. Standardisation of output is possible if standards are maintained right from selection of tools, equipments, machines to use, maximise the output by keeping in mind
the quality standards. Standardisation does not mean only quality standards. But it refers to setting up standards for size, type, weight, measures, quality of products etc.

(iii) Simplification emphasises on elimination of unnecessary diversity of product, size and type as more varieties means more inventory, more type of machinery, more labour cost etc. By simplifying the task there can be economy in use of machine, labour, inventory, maintenance, etc. It will also help in improving the quality and reduction of cost.

23. Explain by giving any five reasons why understanding of Business Environment is important for managers.

Ans. Five Reasons for why understanding of Business Environment is important for managers.

(1) First Mover Advantage ⇒ The businessman who are able to understand and scan the opportunities of business environment at an early stage get maximum benefit or they can capture a big share of the market. They can go much ahead of their competitors.

(2) Warning Signal ⇒ The businessman who are able to scan and understand the business environment on time get a warning signal to deal with the constraints or the negative policies of business environment. Timely scanning of business environment and the qualitative information which businessmen get is taken as warning signal and changes in the companies are made.

(3) Helpful in Tapping and Assembling Resources ⇒ Businessmen have to supply the goods to market according to the demand in market. They use the scanning report as input to make changes in the output which suits the taste of present day customer.

(4) Image Building ⇒ The companies which are able to scan and respond to environmental factors quickly are able to build a good image for themselves. So, the companies are showing their interest for environmental scanning can definitely make good image for themselves.

(5) Improvement in Performance ⇒ Importance of performance with continuous scan of business environment can easily improve their performance. By making changes in the internal environment matching to external environment. Organisations can prosper and improve their market share.

24. State any five methods of floating new issues in the primary market.

Ans. Five methods of floating securities:

(i) Public Issue through Prospectus ⇒ The first time issue of securities by a company is known as initial public offer (IPO). The IPO is made to the public by issuing a prospectus. That is why, it is also known as public issue. A prospectus is a document that contains terms and conditions for the rule of securities as it invites public to purchase co. securities.

(ii) Offer for Sale ⇒ A company may issue its new securities to its promoters or intermediaries at a specified price. Thus, the issuing company is assured of the sale of its securities is also saved of the lengthy process involved in making a public offer.

(iii) Private Placement ⇒ Under this, a company sells its securities privately to a small group of investors such as financial institutions, brokers, financiers, etc. Private placement is common in case of collaboration agreements with the domestic companies. This method saves the cost of public issue.
(iv) **Rights Issue** ⇒ If a company wants additional capital, it can offer equity shares to the existing shareholders. Such an issue is known as ‘right issues’. It provides a privilege to the existing shareholders to purchase additional shares in proportion to the existing shareholders held by them.

(v) **E-IPO** ⇒ In this, a company can issue fresh cap through the on-line system of stock exchange. Since online system uses electronic technology, the initial public offer (IPO) by the company is known as E-IPO. For this, the issuing company has to obtain approval of SEBI. The company has to appoint registrar to the issue having electronic connectivity with exchange.

25. "An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the products." In the light of the above statement draw a label for a packet of 'juice' and highlight information to be provided on it.  

**Ans.**
1. Best the date before six months from the date of manufacture.
2. Net Contents: 100 ml

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**INGREDIENTS:** Water, Mango pulp, Sugar, Acidity Regulator and Antioxidant.

**MANUFACTURED BY:** Epicu Agro products Pvt. Ltd.

**Manufactured Date:** xx - xx - 2010

Nutritional Information

**CONTAINS FRUIT PULP**

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26. Explain 'staffing' as a function of management. Also explain by giving any four reasons why proper staffing is required in an organisation.

**OR**

Explain the process of selection of employees.

**Ans.**

Staffing as a function of management.

Staffing involves “finding the right person for the right job having the right qualification, doing the right job at the right time.

**Four Reasons:**

1. **Filling the roles by obtaining competent personnel** ⇒ Staffing function is needed to fill the job position. There will be no use of job position unless and until these are occupied by employees and it is through staffing function only that employees are occupied to fill the vacant job.

2. **Placing right person at the right job** ⇒ Staffing ensures higher performance by placing right person on the right job by proper recruitment and selection. Employees are given a place according to their qualifications.
(3) **Growth of Enterprise** ⇒ By appointing efficient staff. Staffing ensures continuous survival and growth of the enterprise. As organisation grow with the efforts of its employees only.

(4) **Helps in Competing** ⇒ Two organisations can easily acquire same type of physical and financial resources but what helps organisation to win over the other is the efficient staff. The organisation with efficient staff can easily win over its competitors.

O R

**Ans. Selection Process**

(1) **Preliminary Screening** ⇒ The candidates whose application are selected are called for preliminary interviews. It is the first round of interview which is conducted by any of the personnel managers.

(2) **Selection Test** ⇒ The organisation prefers to conduct written test to find out the practical knowledge of the candidates. The type of test to be conducted depends on the requirement of the organisation, e.g. Proficiency Tests, Psychological Tests, Other Tests.

(3) **Employment Interview** ⇒ Having successfully cleared all tests related to employment by the candidate he is called for final interview. Its objectives are to see the looks of the candidate his way of walking, his conduct and temperament, his interest and maturity.

(4) **Checking the references and background** ⇒ In the application form the candidates is asked to give the names of two references. If the candidate qualifies the interview then the organisation prefers to check with the references about the personal character of the candidate.

27. "Leadership is a key factor in making any organisation successful." Do you agree with this statement? Give any four reasons in support of your answer. [6]

O R

"Every action in the organisation is initiated through directing." Explain any four points of importance of directing in the light of this statement.

**Ans.** Yes, we agree with the statement.

**Reasons:-**

(1) **Influencing process** ⇒ Here influencing means bringing others under one's own influence. A leader behave with the followers in such a way that they automatically come under his influence. They start working as they are told by their leader.

(2) **Behaviour changing process** ⇒ Leadership has the power to change behaviour of their followers. A manager who has the ability gets a better work performance from his subordinates.

(3) **Creates confidence** ⇒ The leader try to recognise the hidden talent and qualities of the employees and encourage them to highlight these hidden talents to boost up their confidence level.

(4) **Improves productivity** ⇒ The biggest challenge or problem of every organisation is best utilisation of physical, financial and human resources. It is possible with the effective and efficient utilisation of resources.

(5) **Improve job satisfaction** ⇒ It depends upon working conditions and behaviour of managers towards their employees. The behaviour of manager must be supportive and managers are considered good leaders only when they are able to motivate the employees and line not clear.
Four Points Importance of Directing

1. To initiate Action ⇒ The employees in the organisation start working only when they get instructions and directions from their superiors. In the directing function, the superiors direct the actions of employees towards the predetermined goals of the organisation.

2. To Integrate Employee Efforts ⇒ Many employees work in an organisation. If any one of the employees in the chain does not perform up to the mark, it adversely affects the performance of the remaining employees. Thus, it is essential to establish coordination among all the activities. Managers establish this coordination by supervising, providing good leadership, motivating and exchanging ideas with his subordinate.

3. Means of motivation ⇒ The objectives of an organisation can only be achieved by motivated employees. Motivated employees work with full dedication and with a feel of belongingness. The work of motivating employees can be accomplished through the Directing Function of Management.

4. To Facilitates Changes ⇒ Employees show resistance to change in their organisational structure. But with the changing demand of time, it needs to be implemented. Managers through the medium of direction shapes the mind-set of the employees in a manner that they willfully accept changes.

28. Explain the meaning of 'Budgetary Control'. Why is it considered an important technique of controlling? [6]

OR

Explain any four points highlighting the importance of controlling.

Ans. Budgetary Control ⇒ Budgetary control is a system which uses budgets as a means of controlling. It means that when different activities of a business enterprise are sought to be controlled with the help of budgets, it is called budgetary control.

Important Technique of Controlling.

1. Comparative Study ⇒ It is the first technique of budgetary control. Under this, the figure or estimates are compared with the actual work progress.

2. Analysis of Deviations ⇒ The actual figures are compared with the standard figures and deviation are sought to be known and studied deeply and the causes of the deviations are discovered.

3. Corrective Action ⇒ Under this, the causes of deviations are discovered and remedial action is suggested. It can be said budgetary control does not control activities directly but point out where corrective action is needed and what type of corrective action should be taken.

4. Budget for All Departments ⇒ In which budgets for all the departments or activities are prepared instead of a budget for a department or an activity and then all the budgets are collected in the form of a Master Budget.

5. Based on Forecasts ⇒ Budgets are prepared on the basis of Forecasting.

OR

Four points of Importance of Controlling

1. Helps in achieving organisational goals ⇒ When the plans are made in the organisation these are directed towards achievement of organisational goals and the controlling function ensures that all the activities in the organisation take place according to plan and
if there is any deviation timely action is taken to bring back the activities on the path of planning.

(2) **Judging accuracy of standards** ⇒ Through Strategic controlling we can easily judge whether the standard or target set are accurate or not. Accurate control system revises standards from time to time to match them with environmental changes.

(3) **Making efficient use of resources** ⇒ Like traffic signal control guides the organisation and keeps it on the right track. Each activity is performed according to predetermined standards.

(4) **Improving employee motivation** ⇒ A good control system also guides employees to come out from their problems. The free communication and care motivate the employees to give better performance.

29. **What is meant by ‘Financing Decision’? State any four factors affecting the financing decision.**

OR

**What is meant by ‘Capital Structure’? State any four factors affecting the choice of capital structure.**

**Financing Decision** ⇒ This relates to composition of various securities in the capital structure of the company.

**Four Factors Affecting the Financing Decision.**

1. **Cost** ⇒ The cost of raising finance from various sources is different and finance managers always prefer the source with minimum cost.

2. **Risk** ⇒ More risk is associated with borrowed fund as compared to owner’s fund securities. Finance manager compares the risk with the cost involved and prefers securities with moderate risk factors.

3. **Cash Flow Position** ⇒ The cash flow position of the company also helps in selecting the securities with smooth and steady cash flow companies can easily afford borrowed fund securities but when companies have shortage of cash flow, then they must go for owner’s fund securities only.

4. **Control Considerations** ⇒ If existing shareholders want to retain the complete control of business then they prefer borrowed fund securities to raise further fund. If they do not mind to lose the control then they may go for owner’s fund securities.

OR

**Capital Structure** ⇒ It’s means the proportion of debt and equity used for financing the operations of business.

\[
\text{Capital Structure} = \frac{\text{Debt}}{\text{Equity}}
\]

**Four Factors Affecting the Capital Structure:**

1. **Cash Flow Position** ⇒ The decision relates to composition of capital structure also depends upon the ability of business to generate enough cash flow.

2. **Return on Investment** ⇒ Return on investment is another crucial factor which helps in deciding the capital structure. If return on investment is more than rate of interest, then company must prefer debt in its capital structure whereas if return on investment is less...
than rate of interest to be paid on debt, then company should avoid debt and rely on equity capital.

3. **Cost of Debt** ⇒ If firm can arrange borrowed fund at low rate of interest then it will prefer more of debt as compared to equity.

4. **Tax Rate** ⇒ High tax rate makes debt cheaper as interest paid to debt security holders is subtracted from income before calculating tax whereas companies have to pay tax on divided paid to shareholders.

30. Name the element of marketing mix which affects the revenue and profits of a firm. Explain any five factors which help in determining this element. [6]

**OR**

"Generally consumers prefer to buy goods directly from the producers but it is not always possible." Give reasons why it is so, by explaining four different factors responsible for this.

**Ans.** Price mix affects the revenue and profits of a firm.

**Five Factors which help in determining this element:**

1. **Pricing Objectives** ⇒ What is the objective of firm is a very important factor which helps in deciding the price. For example, if the objective of company is profit maximisation then generally a high price is fixed whereas the companies having the objective of sales maximisation prefer how low price to increase the sale and capture a big share of the market.

2. **Product Cost** ⇒ The second important factor which is kept in mind while fixing the price is the cost of product or service. The price of the product must be able to cover the total cost of product. Total cost means fixed cost and variable cost.
   (a) Fixed Cost (Rent of building, Salary of permanent Staff)
   (b) Variable Cost (Material, Labour etc.)

3. **Extent of Competition in the Market** ⇒ It is necessary to take into consideration prices of the products of the competing firms prior to fixing the price. In case of cut-throat competition it is desirable to keep the price low.

4. **Demand of Product** ⇒ Intensive study of demand for product and services in the market be undertaken before price fixation. If demand is relatively more than supply, higher price can be fixed.

5. **Government Regulation** ⇒ If the price of the commodity and services are to be fixed as per the regulation of the government it should also be borne in mind.

**OR**

"Generally consumers prefer to buy goods directly from the producers but it is not always possible."

**Reasons:**— Goods are produced at one place and customers are scattered all over the country. So it is very difficult for the producer to distribute goods to the place of consumption. For example, tea is produced in Darjeeling and Assam but it is consumed all over the country. It is very difficult for producer to distribute tea all over the country; so he takes the help of middlemen so that it can be supplied to all the customers.

**Different factors responsible are as under:**—

1. Goods are produced at a place where raw materials are easily available while customers are far from that place.

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2. Producers are not aware about the goods demanded by the consumer. It is well known to the retailers.

3. Middlemen maintain large stocks of goods and they transport goods from one place to another. So till the time goods are with them in stock or when these are transported from one place to another, the middlemen bear risk of damage or spoilage of goods while consumers do not bear risk of damage or spoilage of goods.

4. Consumer can negotiate with the middlemen but not negotiate with the producer directly.

5. Consumers demand variety in the market which they can get from middlemen while they have limited choice of varieties with producers.

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**Outside Delhi Set-2 (Solved)**

Questions which are not covered in Set-I are given here only.

1. **List any two social objectives of management.**
   Ans. Social objectives of management are—
   1. Supply of quality goods at reasonable price.
   2. Generation of employment opportunities.
   3. Providing financial support to community project.
   4. Providing employment to physically disabled people. (Any two)

2. **Give any one reason why principles of management are called contingent.**
   Ans. Principles of management are contingent because their application is dependent or contingent upon the prevailing conditions at a particular point of time. Or they can't be applied blindly in all situations.

3. **State the objective of 'Time Study'.**
   Ans. Objectives of time study is observing and recording the time required by a worker of reasonable skill and ability to perform each element of the task in a job.

4. **Give any one limitation of internal sources of recruitment.**
   Ans. Limitation of Internal Sources of recruitment:
   1. No fresh or new ideas will come in the organisation.
   2. There will be limited choice.

5. **Hero Ltd's target is to produce 10,000 shirts per month at a cost of Rs. 150 per shirt. The Production Manager could achieve this target at a cost of Rs. 160 per shirt. Do you think the Production Manager is effective? Give reason in support of your answer.**
   Ans. Manager is not effective because he achieved the predetermined goal at a higher price.

6. 'Cost of debt' is lower than the 'cost of equity share capital'. Give reasons why even then a company cannot work only with the debt.
   Ans. A company can't work only with debt because in must have equity share capital.

10. **Which Act provides relief to the buyers of goods in case the goods purchased do not comply with the expressed condition?**
14. Explain the following money market instruments:

(i) Commercial paper

(ii) Commercial bill

Ans. (i) Commercial paper ⇒ It is a short term promissory note issued by a reputed company to meet its working capital requirements. Maturity of such papers is from 3 months to 12 months. Generally, purchased by commercial banks, insurance company and unit trust. These papers not backed by any security so that can be issued by credit worthier co.

(ii) Commercial Bill ⇒ It is an instrument containing an unconditional order signed by maker directing a certain person to pay a specified sum of money to a particular person. It is issued by creditor. The maturity of such commercial bills can’t be more than 90 days. These bills can be discounted with the bank.

15. What is meant by ‘Selling concept’ of marketing?

Ans. Selling concept of marketing—This concept insists on selling what is produced? The companies which believe in the concept that leaving alone the customer will not help instead there is a need to attract the customers towards them. They think that goods are not bought but they have to be sold. Basis of this concept is that the customer can be attracted keeping in view this concept. These companies concentrate their marketing effort towards educating and attracting the customers. In order to achieve it they reason to advertising personal selling, sales promotion, etc. In such a case their main thinking is selling what you have.


Ans. Policy: Policy can be defined as organisation’s general response to a particular problem. Policies are made at every level need to decide or predetermine the way of handling a situation and policy acts as a guide to take decisions in unexpected situation.

Procedure: Procedures are required to steps established in advance to handle future conditions. The sequence of steps to be followed by employer in different situations must be predetermined so that everyone follows same steps. The procedure can be defined as the exact manner in which an activity has to be accomplished.

24. Explain any five impacts of Government Policy changes on Business and Industry in India.

Ans. Five impacts of govt. policy changes on Business and Industry in India:

1. Destabilisation of Protected Environment ⇒ When the govt. de-licensed the companies and abolished the registration scheme for the industries then more and more people entered in the business of industrial movement.

2. Threat from MNCs (Multinational Corporations) ⇒ There companies are having large amount of resources, world class technology and operate on large scale. These companies became the biggest threat to Indian companies.

3. All Round Competition ⇒ After new policy, Indian companies had to face all round competition which means competition from the internal market and the competition from the MNCs. So they adopt latest technology to face the competition.

4. Export a Matter of Survival in a rapidly changing technological environment ⇒ The Indian businessman was facing global competition and the new trade policy made the external trade very liberal. As a result, to earn more foreign exchange many Indian companies joined the export business and got a lot of success in that.
5. Market Orientation ⇒ Earlier firms were having selling concept, i.e., produce first and then go to market but now companies follow marketing concept i.e. planning production on the basis of market research, need and want of customer.

25. State any five regulatory functions of the Securities and Exchange Board of India. [5]

Ans. Five regulatory functions of Securities and Exchange Board of India:
1. SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters, etc.
2. These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.
3. SEBI registers and regulates the working of stock brokers, sub-brokers, share transfer agents, trustees, merchant bankers and all those who are associated with stock exchange in any manner.
4. SEBI registers and regulates the working of mutual funds etc.
5. SEBI regulatory takes over of the companies.
6. SEBI conducts inquiries and audit of stock exchanges.

Outside Delhi Set-3 (Solved)

Questions which are not covered in Set-I and Set-II are given here only.

1. List any two organisational objectives of management. [1]

Ans. Two organisational objectives of management are as follows:
1. Survival
2. Growth
3. Profit Motive (Any two)

2. Give any one reason why principles of management do not provide a readymade solution to all managerial problems. [1]

Ans. Principles of Management do not provide readymade solution because they are used according to problems and situations of the organisations.

3. State the objective of 'Fatigue Study'. [1]

Ans. Objective of fatigue study is to determine the amount and frequency of rest internal in performing a job.

8. Give any one advantage of external sources of recruitment. [1]

Ans. One advantage of external source of recruitment is – fresh talent or any one from other advantages.

14. Explain by giving any three reasons why delegation is important in an organisation. [3]

Ans. Three reasons why delegation is important in an organisation.

(1) Effective management ⇒ In the delegation process managers pass routine work to be subordinates. So they are free to concentrate on other important matters. The main job of managers is to get the work done effectively and by delegating the authorities and responsibilities managers can get the work done effectively and efficiently from the subordinates.
(2) Motivation of employees ⇒ In the delegation when the manager is sharing his responsibilities and authority with the subordinates it motivates the subordinates as they develop the feeling of belongingness and trust which is shown to them by their superiors.

(3) Facilitates organisational growth ⇒ In the process of delegation when the managers are passing their responsibility and authority to the subordinates they keep in mind the qualification and capability of all the subordinates. This leads to division of work and specialisation which is very important for organisation growth.

19. Explain ‘Method’ and ‘Rule’ as types of plan.
Ans. Types of plan.
Method ⇒ Method can be defined as formalised or systematic way of doing routine or repetitive jobs. The managers decide in advance the common way of doing a job.

So, that
(a) There is no doubt in the minds of employees;
(b) There can be uniformity in actions of the employees.

Rules ⇒ Rules spell out special actions or non-actions of the employees. There is no discretion allowed in rules, i.e., they must be followed and strict actions can be taken against employees who are disobeying the rules. Rules are spelt out to create an environment of discipline in the organisation.

20. Explain the following ‘Rights of consumers’:
(i) Right to be informed
(ii) Right to consumer education.
Ans. (i) Right to be informed ⇒ Consumer has also the right that he should be provided all information on the basis of which he decides to buy goods or services such information relates to quality, purity, potency, standards, date of manufacture method of use etc. of the commodity.

(ii) Right to consumer education ⇒ Consumer education refers to educate the consumer constantly with regard to the their rights. In other words, consumer must be aware about the remedy of loss, so that they enjoy against the loss which they suffer on account of goods, services purchased by them. Govt. has provided several magazines and journals and newspapers to educate the consumer.

24. (i) Name and explain the principle of management which requires judicious application of penalties by the management.
(ii) Name and explain the technique of scientific management which helps in establishing interchange ability of manufactured parts and products.
Ans. (i) Principle of Discipline of Management which requires judicious application of penalties by the management.
Discipline refers to general rules, regulations for systematic working in the organisation.
1. Systematic working in the organisation
2. Improve efficiency.

(ii) Standardisation and simplification of work ⇒ Is the technique of scientific management which helps in establishing interchangeability of manufactured parts and products.
Standardisation does not mean only quality standard but it refers to setting up standards for size, type, weights, measures and quality of product. Simplification emphasis on unnecessary diversity of products, size and types.

25. **State any five functions of 'Stock Exchange'.**

Ans. **Five Functions of 'Stock Exchange'.**

1. **Economic Barometer** ⇒ A Stock Exchange is a reliable barometer to measure the economic condition of a country. The rise or fall in the share prices indicates the boom or recession cycle of the economy.

2. **Pricing of Securities** ⇒ The stock market helps to value the securities on the basis of demand and supply factors. The securities of profitable and growth oriented companies are valued higher as there is more demand for such securities.

3. **Safety of Transactions** ⇒ In stock market only the listed securities are traded and Stock Exchange authorities include the companies names in trade list only after verifying the soundness of company. The companies which are listed have to operate within the strict rules and regulation.

4. **Contribution to Economic Growth** ⇒ In Stock Exchange securities of various companies are bought and sold. The process of disinvestment and reinvestment helps to invest in most productive investment proposal and this leads to capital formation and economic growth.

5. **Spreading of Equity Cult** ⇒ Stock Exchange encourages people to invest in ownership securities by regulating new issues, better trading practices and by educating public about investment.