Business Studies (054)

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A1) (A) Management

A2) (D) Budget

A3) (B) Assertion (A) is true but Reason (R) is false

A4) (D) Growth opportunities

A5) (A) Both the statements are true

A6) (A) It helps in simplifying the process of selection

A7) (C) Motivation

A8) (B) Inflation

A9) (D) Adaptation to change

A10) (C) Psychological benefits

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A11) (C) Organizational barrier

A12) (B) Authority

A13) (D) In case the aggrieved party is not satisfied with the order of the National commission, he can appeal before the Supreme Court.

A14) (C) Technological

A15) (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

~~A16) (C) (a) - (iv), (b) - (i), (c) - (iii), (d) - (ii)~~

A16) (C) (a)-(iv), (b)-(i), (c)-(iii), (d)-(ii)

A17) (C) Management is a dynamic function

A18) (D) Trading on equity

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A19) (D) Statement I is false, Statement II is true

A20) (C) Financial Planning

A21)(b)

Basis	Primary Market	Secondary Market
(i) Pricing of securities	Prices are decided and determined by the management of the company.	Prices are determined by the forces of demand and supply
(ii) Location	It has no fixed geographical location.	It is located at specified placed only.
(iii) Buying and selling.	Only Buying of securities takes place here. Securities are not sold.	Both buying and selling of financial assets happens here
(iv) Capital Formation	Funds flows from savers to investors (company). It directly promotes capital formation.	It enhances the encashibility of shares. It indirectly promotes capital formation.

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22)

(i) The concept discussed is Communication. Communication is the process of exchange of views, facts, ideas, feelings, etc between or among persons to have a common understanding.

(ii) The first five elements are:-

a) Sender - He is the person who wants to convey his ideas, feelings, facts etc. It represents the source of communication.

b) Message - It is the content of ideas, feelings, facts etc. which is intended to be communicated to the receiver.

c) Encoding - It is the process of converting the message into communication symbols like words, gestures, symbols, etc.

d) Media - It is the path ~~process~~ through which the encoded message, (symbols) pass through. For instance, phone call, internet, face to face contact, etc.

e) Decoding - It is the process of decoding and converting the encoded message of the sender.

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(The receiver should understand the message)

23b) Securities and Exchange Board of India (SEBI) has many functions - Protective Development and Regulatory. The regulatory functions are as follows:-

(i) Regulation of takeover bids by companies
(ii) Registration of brokers, sub brokers and other players in the market
(iii) Registration of collective investment schemes and Mutual Funds

~~24)~~

24) The responsibilities which were not fulfilled are as follows:-
(i) Respect the Environment. Avoid waste, littering and contributing to pollution.
(ii) Assert yourself to ensure that you get a fair deal.
(iii) File a case in the appropriate consumer forum in case of shortcoming in quality of a good purchased or service availed. Do not fail to take action even if the amount involved is small.

(iv) Form consumer socities to educate consumers about their rights and safeguard their interests.

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25b)

(i) Providing managers with useful insights into reality -

- Principles of management provide managers with a useful insight into reality. It adds to their knowledge and understanding and analysis of a particular situation.
- Further, it also helps them to save time by solving recurring problems quickly.
- It thus helps in increasing the managerial efficiency. Organisation is thus run smoothly.

(ii) Optimum utilisation of resources and effective administration -

- Principles ensure that resources are being used optimally. They ensure that organisation gets maximum possible advantage by minimizing the costs, while using the resources.
- Wastages associated with trial and error approach are reduced.
- It also helps in depersonalisation of managerial conduct. It limits the discretion of managers by setting boundaries to managerial action.
- This helps in avoiding biases, prejudicies and ensures objective assessment of a situation.

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- For example, organisational objectives are always to be priortised over individual ones.

26a)

(i) Co-ordination integrates group efforts -

- All the diverse and varied interests in the organisation are unified into a purposeful activity.
- A common direction ~~is given~~ and focus is given to the efforts, for accomplishing organisational objectives.
- It therefore also acts like a binding force.

(ii) Co-ordination is the responsibility of all managers -

- Coordination is the responsibility of all the managers in an organisation

The Top management coordinates with the middle level to ensure that the ~~polities~~ plans are followed to achieve the goals.

- The Middle level management coordinates with both the top level & operational level, first line managers.
- The Supervisory level of management ensures that efforts of workers are coordinated to achieve the targets and goals.

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27) i) The concepts discussed in the passage are - Effectiveness and Efficiency.

- Effectiveness:-

→ It refers to completing the activities, achieving the goals and doing the right task. It is time oriented and is concerned with the end result of finishing the activities.

- Efficiency:-

→ It refers to doing the task right, and at a minimum cost. It is cost oriented and is concerned with doing the tasks correctly. A firm can be efficient by producing same output for lesser input, or more output for ~~lesser~~ same input.

- Group I was both effective and efficient, as it completed the task of refurbishing 150 dresses, at the cost of Rs [illegible] per dress.
- Group II was only effective, as it could complete the task of refurbishing 150 dresses, but at a higher cost of Rs 35 per dress.
- Group III was only efficient, as it could not complete the task of refurbishing 150 dresses, but did it at a low cost of Rs 27 per dress.

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(ii) • Effectiveness refers to doing the right task, completing the activities and achieving the goals. It is time oriented [illegible]d concerned with end result of achieving goals.

• Efficiency refers to doing the task right, at a minimum cost and is cost oriented. A firm can be efficient by producing same output for lesser input or, more output for same input.

• For the management it is important to be both effective and efficient, to ensure that goals are met properly. There should be high degree of effectiveness and efficiency for good management.

28) The importance highlighted are:-

a) Planning provides direction:-

• Through the process of planning, objectives are set for the organisation. ~~The~~ These should be clearly stated as they act as a guide for managerial action.

• The employees know what the organisation should do, and what they should do to achieve the goals. Therefore, they're given a direction.

• Without this, employees would be working in different directions and an organisation would not be able to function properly. Hence, there is coordination through planning. Planning thus provides direction. Prachi hence derives the benefits

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b) Reduces wasteful and overlapping activities:-

- Planning helps in coordinating the efforts of different departments, individuals, etc in an organisation.
- It thus helps in ensuring that there is clarity ~~in~~ of thought and action. It also helps to avoid duplication and overlapping of activities, and prevents confusion.
- Inefficiencies are detected, and corrective action is taken then to correct them. Prachi, thus derived the benefits of good planning.

29(i) The element of marketing-mix discussed in the paragraph is Promotion. Promotion refers to using communication with the main objective of informing the potential customers about the features, merits, etc of a product and persuading them to buy the same.

(ii) The tools of promotion discussed are:-

a) Advertising:-

- It refers to an impersonal form of communication which is paid for by an identified sponsor, for selling a particular product or a service. It is one of the most popular tools used.

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- It uses different media like magazines, newspapers, posters, etc. The features are:-

→ ~~It is an~~ Impersonality :- There is no direct face to face contact with the prospective customers. It is a monologue and not a dialogue.

→ Paid form:- It is paid for by an identified sponsor.

→ Identified sponsor :- The identified sponsor carries out all the marketing efforts and bears the cost involved.

- Advertising is expressive, has a mass reach, and is economical.

b) Sales Promotion :-

- It refers to the short term incentives designed to encourage buyers to buy a good or avail a service, immediately.
- It refers to all promotional efforts, other than advertising, personal selling, publicity and public relations.
- These short term incentives could be designed for individuals, for dealers (dealer discounts), etc.
- There are various examples :-

→ Discount :- Offering a product at a lower price than the list price

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Rebate:- Offering special discounts to clear off excess inventory. For eg, giving ₹10,000 discount on cars.

- Others like quantity gift, product combination, lucky draws, etc.

~~30(i)~~

30(i)• The decision taken is a long term investment decision, that is, a Capital Budgeting decision.

- Investment decision is the decision about ~~the funds to be invested~~ where the funds should be invested, i.e in which assets, to ensure maximum possible returns to the investors.
- Since it involves allocations of the firm's capital on long term assets having implications on the business, it should be taken carefully.

(ii) Factors are as follows:-

a) Rate of Return-

- This is the most important criterion while making this decision. It involves an analysis of the risks involved and the expected returns from each proposal.
- For example, consider two projects A and B, ~~with~~ having the same risks.

However, A offeres a 10% return, and B offers a 12% return. Under normal circumstances project B should be considered.

b) Investment Criteria involved:-

- A lot of calculations regarding the ~~return~~ rate of return, interest rate, funds to be used, etc are involved.
- There are different techniques to evaluate the proposals. Such techniques are applied to the proposal before it is selected.

3(a)

(i) Preliminary Screening

In this step, the unqualified & unfit job seekers are rejected on the basis of the information provided in the application.

- Through preliminary interview, misfits are rejected for those reasons that did not appear in the applications.

(ii) Selection Tests:-

These are tests conducted in pen paper form or as an exercise to measure certain characteristics of individuals. There are various tests:-

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(a) ~~(a)~~ Intelligence Test :-

- It indicates the intelligence quotient of an individual. The learning ability, and ability to make decisions and judgments is chocked.

(b) Aptitude Test :-

- It measures the ~~too~~ potential for learning of individuals. Also indicates capacity to develop, and is an indice of future success score.

(c) Personality Test :-

- It measures the person's maturity, reactions, etc. It thus checks the overall personality.

(d) Trade Test :-

- It measures the actual skills possessed by an ~~in~~ individual. The level of knowledge and proficiency in an area indicates ~~is measured by~~ technial and professional training.
- While trade test measures actual skills possessed, aptitude test measures the potential to learn new skills

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(e) interest tests -

- It measures the interests or involvement pattern of a person.

(iii) Employment interview:-

- It is a formal in-depth conversation, wherein the employer asks the interviewee, i.e, job seeker questions, and the latter responds (job seeker)
- Nowadays, even interviewees ask questions, to which employers answer.

(iv) Reference and Background checks:-

- The names, addresses, telephone number, etc, of references are requested by the employer.
- This allows him to verify the information and gain additional information on the applicant.
- Past employers, University professors and teachers act as good references.

32)

(i) The function is Controlling. It ensures that the activities in an organisation are performed according to plans. It involves measuring the accomplishment

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against standards, and taking corrective actions for the deviations revealed.

(ii) Importance of controlling-

a) Accomplishing organisational goals-

- It measures the progress of an organisation, and brings to light the deviations, if any.
- It thus guides the organisation to stay on the right track to achieve the objectives

b) Judging accuracy of standards-

- It helps to ensure that the standards set are accurate and objective.
- It keeps a constant check on the environment for changes, and reviews and revises the standards in the light of such changes.

c) Improves employee motivation-

- The employees know well in advance what they are expected to do, and on what basis would they be appraised.

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- This motivates employees and helps to improve their performance.

d) ~~Maintains~~ Ensures order and discipline:-

- It ensures an atmosphere of order and discipline in the organisation by minimizing dishonest behaviour on the part of employees.
- For example, many organisations use CCTV.

e) Facilitates coordination in action:-

- It coordinates the efforts of different individuals and departments to attrain organisational objectives.
- The departments and individuals are governed by pre-determined standards which are well-coordinated with each other. This helps in attaining the organisational objectives.

33b) Grouping of similar activities under functional, and then establishing these activities as separate functions, refers to functional structure. The advantages are as follows:-

(i). It leads to better control and coordination because of the similarity in the

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tasks performed

(ii) It minimises the ~~dty~~ duplication of activities, ensures economies of scale, and hence reduces costs

(iii) It is easier to train employees, because they need to be trained only in limited range of skills

(iv) It ensures that all the functions get due attention.

(v) It leads to functional, i.e, occupational specialisation. It promotes the efficiency in utilisation of manpower due to the similarity in the tasks performed in the department, and improves performance

(vi) There is managerial and operational efficiency, which leads to higher profits.

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34) Price refers to the amount of money paid as consideration by the buyers to the seller to purchase a product, or to avail a service.

a) Quote :- " To determine the price .... above the costs"

AND

" This will set ...... floor price .... sold"

Factor :- Product Cost

Explanation :-

- Cost of product refers to the costs involved in producing, selling, distributing the products. It sets the minimum level or floor price at which the product would be sold.
- Initially a firm might not cover its costs. But in the long run, all firms aim to cover costs, with profits.
- Cost is the sum total of fixed, variable and semi variable costs. Fixed costs like rent, don't vary with the level of output.
- Variable costs, like cost of raw materials, varies directly with the level of output.

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- semi-variable costs, like a 5% commission on extra sales made by a manager, varies with output, but not in direct proportion to it.

b) Quote :- "Though there was..... its features"

Factor :- Extent of Competition

Explanation :-

- whether the price of a product ~~woulb~~ would be high or low depends on the extent of competition in the market.
- If there is low or little competition, then the prices would be on the higher side. If there is high competition in the market, then the prices would be on the lower side.

c) Quote :- "They justified..... sales promotion etc"

Factor :- Marketing methods used

Explanation :-

- The price of a product also depends on the marketing methods used.
- It depends on factors like distribution system used by the firm, number of salesmen employed, advertising efforts, etc.
- For instance, if a firm provides free home delivery it has some flexibility in fixing the price of the product sold by it.
- Similarly, uniqueness in any of the above mentioned factors will affect the price. In the given passage, ~~the~~ Energy Lights used unique methods of advertising, sales promotion, etc.