BUSINESS STUDIES 054

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1. (B) Spreading of equity cult

2. (B) Middle level

3. (A) Management

4. (D) Stock market conditions

5. (D) Both Brand - mark and Trade mark

6. (B) Statement I is false and Statement II is true

7. (A) Management of the company

8. (D) Development of each and every Person to His or Her Greatest Efficiency and Prosperity

9. (B) Social Environment

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10. (A) Assertion (A) is false and Reason (R) is true

11. (D) Both Assertion (A) and Reason (R) are ~~not~~ true and Reason (R) is the correct explanation of Assertion (A)

12. (A) Right to choose / be assured

13. (C) complicity

14. (D) Financial Planning

15. (D) Both Statement - I and Statement - II are false

16. (D) This technique helps to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs

17. (D) Perquisites

18. (A) Cooperating with other departments for smooth functioning of the organisation

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19. ~~(e~~ a b c d
(c) iv i iii ii

20. (D) Customer support services

21.

(a.) Features of management:

(i.) MANAGEMENT IS ALL-PERVASIVE (universal):

- The activities involved in managing an enterprise are common to all organisations, whether social, political or economic.
- Managing a petrol pump is as necessary as managing a school or hospital.
- What managers do in different countries like India, China and Japan is the same. However, how they do it can be different due to differences in culture, language, tradition, etc.

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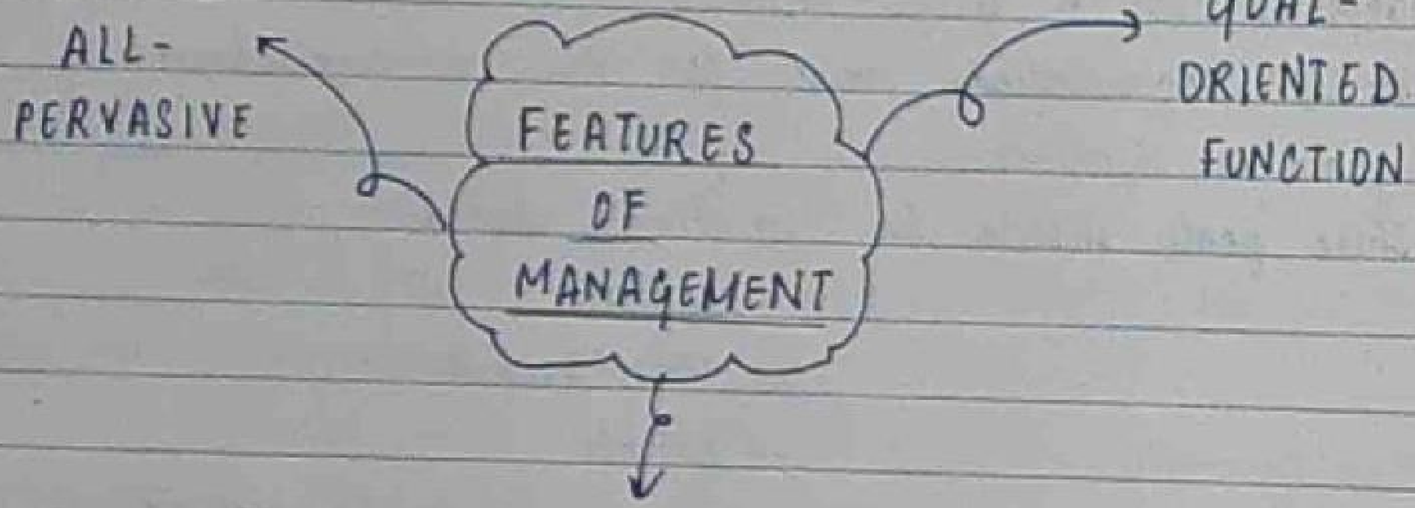
(ii.) MANAGEMENT IS A GOAL-ORIENTED PROCESS / FUNCTION (purposeful):

- All organisations exist for the accomplishment of certain goals or objectives
- These goals should be → clearly-stated
  → realistic
  → time-bound
  → simple
- The task of the management is to unify individual efforts to achieve the overall organisational objectives.

(iii.) MANAGEMENT IS AN INTANGIBLE FORCE:

- Management cannot be seen, but its presence can be felt in the working of an organisation.
- The effect of management is clearly felt in an enterprise where
  → targets are met according to plans
  → employees are happy and satisfied
  → there is order instead of chaos



INTANGIBLE FORCE

22.

(i.) The external source used is DIRECT RECRUITMENT:

- A notice is placed on the notice-board or office gate, informing candidates about the vacancy.
- Interested candidates gather outside the organisation's premises on the assigned date and time and selection is done on the spot.
- ~~These~~ This is mainly used for casual vacancies of unskilled

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jobs. The workers are called casual / daily workers.

- Advantage: It involves lower cost as no expenditure has to be incurred in advertising the vacancies.

(ii) PLACEMENT AGENCIES AND MANAGEMENT CONSULTANTS: MANAGEMENT CONSULTANTS

- These technical institutions are playing a major role in matching personnel demand and supply nationwide.
- They are useful when extensive screening is needed.
- They ~~are~~ have a large database of potential candidates and suggest those who are most suitable for the job.
- They can ~~get~~ entice the top executives from other enterprises by providing suitable incentives.
- Management consultants are useful for recruiting technical, managerial and professional staff.

23.

(i) (a) REGULATORY FUNCTION

" examining trading information and conducting enquiries, SEBI found that."

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- SEBI calls for ~~undo~~ information by conducting audits and enquiries of stock exchanges and other members of the stock market.

(b) PROTECTIVE FUNCTIONS:

"SEBI made it clear that fraudulent and unfair trade practices are strictly prohibited."

- SEBI prevents and prohibits unfair and fraudulent trade practices like price rigging, manipulation of information, etc.

(ii.) (a) REGULATORY – SEBI undertakes the regulation of takeover bids by companies

(b) PROTECTIVE – SEBI undertakes controlling insider trading and imposing heavy penalties on such activities.

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(b) Steps in Staffing:

(i.) PLACEMENT AND ORIENTATION:

- When an employee/apprentice joins an Organisation, he is taken around the place and given a presentation to introduce him to his superiors, colleagues and the organisation.
- This greatly influences the employee's
  - → decision to stay
  - → performance levels in future
- ORIENTATION is the process of introducing the selected employee to other members in the organisation and familiarising him with the rules, policies and regulations.
- PLACEMENT refers to the employee occupying the position for which he was selected.

(ii.) PERFORMANCE APPRAISAL:

- Once an employee has undergone training and spent some time working in the organisation, it is necessary to appraise his performance.

- Performance appraisal means evaluating the past / present performance of employees according to certain pre-determined standards.
- Employees are expected to know what these standards are and superiors should give feedback.
- Performance appraisal process includes:
  - → setting standards
  - → measuring / evaluating performance
  - → giving feedback

25. Two responsibilities fulfilled by Heera:

(i.) always ask for a CASH MEMO on the purchase of any good / service. This acts as proof of the purchase made.

(ii.) FILE A COMPLAINT in the appropriate consumer court / forum in case of any dissatisfaction due to defect in goods or deficiency in services. Do not fail to take action even when the amount involved is small.

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(iii) Assert yourself so that you get a fair deal.

Two reliefs granted :

(i.) The seller should replace the defective good or service with another product, which is free from defect or deficiency.

(ii.) The seller should pay a reasonable amount as COMPENSATION for any loss or injury suffered by the consumer due to the negligence / carelessness of the opposite party.

26.

(b.) Benifits of training to the organisation :

(i.) SYSTEMATIC LEARNING :

- Training is systematic learning, which is better than the trial and error approach which leads to wastage in cost, time and efforts.

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(ii.) INCREASES PRODUCTIVITY:

- Training increases productivity of employees, both in terms of quality and quantity.
- This helps the organisation in earning higher profits.

(iii.) EQUIPS FUTURE MANAGERS:

- It equips future managers, who can take over in case of an emergency.

(iv.) IMPROVES MORALE AND SATISFACTION:

- Training improves the morale and job satisfaction of employees in the organisation.
- This helps to reduce absenteeism and employee turnover.

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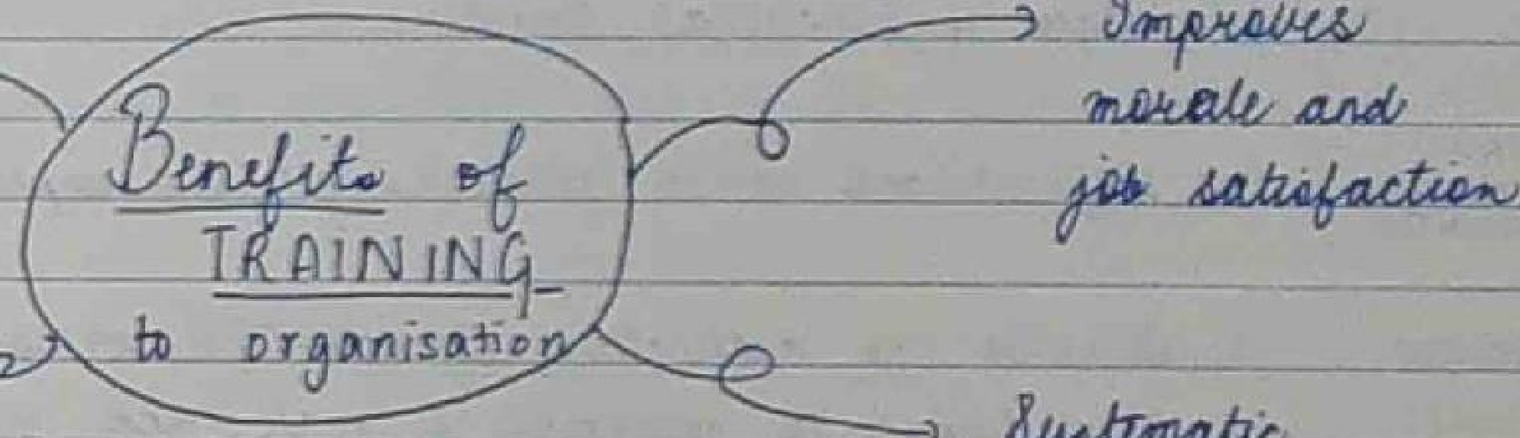
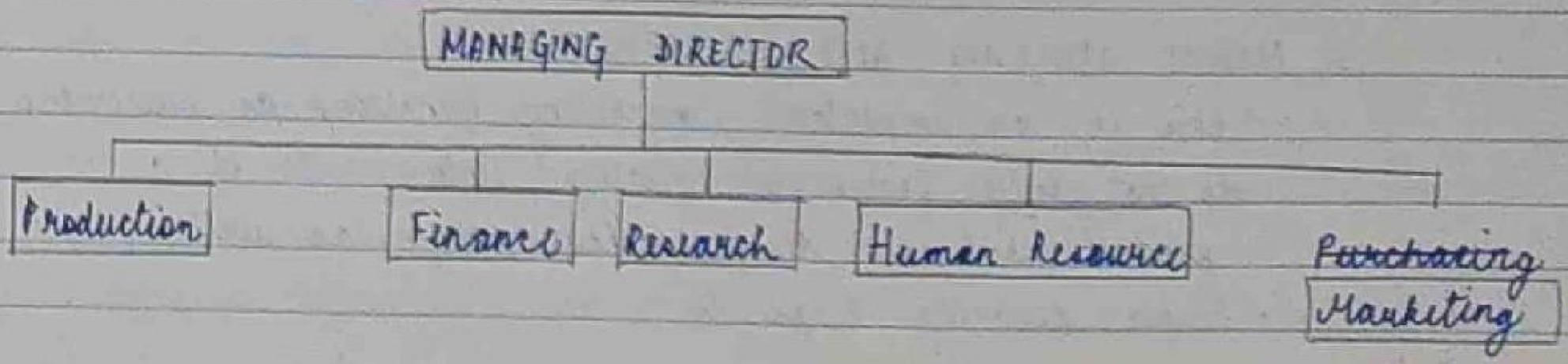


27.

(i) FUNCTIONAL STRUCTURE is followed, where jobs of similar nature are grouped together on the basis of functions to form departments.



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(ii.) Advantages of functional structure:

DIFFERENT FUNCTIONS GET DUE ATTENTION: (a) Different and varied functions get due importance/attention.

REDUCTION IN COSTS: (b) There is no duplication of activities across different functions. This leads to economies of scale and reduces work for the organization.

BETTER CONTROL AND COORDINATION: (c) It leads to better control and coordination within departments due to the similarity of tasks being performed.

28. Two functions of marketing:

(i.) PRODUCT DESIGNING AND DEVELOPMENT:

- This is an important marketing functions as customers do not only focus on quality, features, etc. of a product, but on design, colour, style, as well.
- Proper designing helps to:

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→ improve performance
→ attract potential customers
→ give the product a competitive edge in the market.

For eg.: "sleek body, sharp headlights, digital speedometer," etc.

(ii.) STANDARDISATION AND GRADING:

- Standardisation means producing goods of predetermined quality and specifications to achieve uniformity in the output.
- This ensures customers that products conform to quality specifications.
- It reduces the need for testing and evaluation of products.

  Eg- "the company followed strict quality standards in making each part."

- Grading means process dividing products into different groups on the basis of some important characteristics like size, quality, etc.
- This helps sellers secure higher prices for their products.
- This is most useful for goods not produced as per pre-determined specifications like wheat, oranges, etc.

For eg.- "offered different versions of bike with different prices on features."

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29.

(a) Limitations of planning:

(i.) PLANNING REDUCES CREATIVITY:

- Plans are mainly formulated by the top management and the other members have to simply follow them.
- Middle management and other decision makers are not allowed to deviate from plans or take actions on their own.
- Much of the creativity and innovation in them gets diminished, as a result.
- Employees often do not even take an effort to suggest new ideas. All of them tend to think in the same lines. This reduces their creativity.

(ii) PLANNING INVOLVES HUGE COSTS:

- There are huge costs in terms of time, money and efforts involved in formulating plans.
- Preparing detailed plans of action requires lot of time and

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efforts to estimate future facts and figures.

- Sometimes the benefits derived from these plans do not justify the costs incurred.
- There are also a number of incidental expenses incurred like
  - → expenses on boardroom meetings
  - → consulting experts
  - → preliminary screening to assess the viability of the plan.

30. Two factors affecting price determination:

(i) PRODUCT COSTS:

- This includes the cost of producing, selling and distributing the product.
- It sets the floor base or minimum level of prices.
- A marketer aims to cover all its costs, atleast in the long run. In addition, he also tries to earn a margin of profit over and above the cost.
- In some situations, the marketer may sell the product at a price which does cover all costs, eg, entry of new competition in the

market or while introducing a new product.

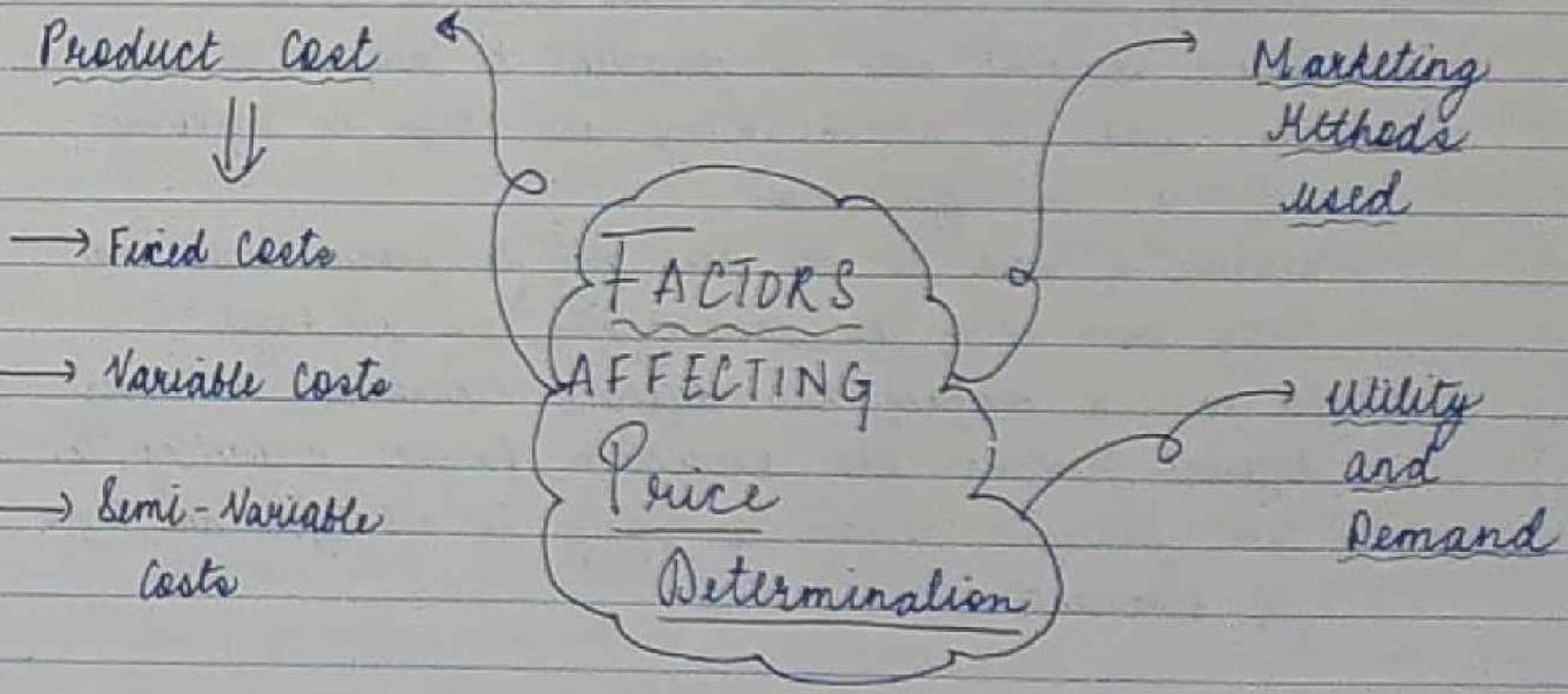
- Product cost is a sumtotal of
  - → FIXED COSTS: these do not vary with the level of ~~production~~ activity, like the level of production or sales
    Eg: rent, salary of sales manager
  - → VARIABLE COSTS: these vary directly with the level of activity in an enterprise
    Eg. cost of raw materials, power, labour
  - → SEMI-VARIABLE COSTS: these vary with the level of activity, but not in ~~direction~~ direct proportion with it.
    Eg - salary of sales manager consisting of a ~~fix~~ fixed salary plus commission as 5% of sales.

(ii.) MARKETING METHODS USED:

- A marketer can used various marketing methods like
  - → eco-friendly packaging
  - → home delivery
  - → on-line advertisement
  - → customer support services

→ technical information

- Uniqueness in any of these aspects gives the marketer competitive freedom in fixing prices. Eg - a firm providing home delivery will enjoy more freedom in fixing higher prices for its products.



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(b.)

(i.) DIVISION OF WORK:

- According to Fayol, the work to be done should be divided ~~dividing~~ into small tasks, each assigned to a trained specialist who is competent to perform it.
- This leads to SPECIALISATION and helps in improving efficiency and effectiveness.
- "Division of work is the best way to produce more and better work using the same efforts," as per Fayol.
- For ex - a company has different departments managing different functions like production, finance, accounting, etc.
- This principle intends to apply to all types and sizes of organisations.

(ii.) DISCIPLINE:

- Discipline means
  - → ~~obedience of~~ obedience to organisational rules
  - → employment agreement, which is necessary for

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the smooth working of the organisation.

- Discipline requires
  - → good superiors at all level
  - → clear and fair agreements
  - → judicious application of penalties.
- For eg - the workers have agreed to work overtime without extra pay to revive the company out of loss. The management promises to raise salaries of the workers if this objective is fulfilled. Discipline would mean that both parties honour their commitments without any prejudice to one another.

(iii) EQUITY :

- According to Fayol, "Good sense and fairness are needed to treat employees well, who must be treated as fairly as possible."
- This principle emphasises kindliness and justice in the behaviour of managers towards employees.
- Fayol doesn't discourage punishments. He says that lazy personnel should be dealt with strongly to give the message that everyone is equal in the eyes of the management.

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- Employees must not be discriminated on the basis of sex, religion, race, caste or nationality.
- For eg - in multinational companies, people of different nationalities work together and have equal chances to grow.

PRINCIPLES OF MANAGEMENT

- Division of work
- Discipline
- Equity

32. Plans discussed are as follows:

(i) OBJECTIVES:

- These define the end points which the management would like to reach as a result of its operations.
- These must be stated SPECIFICALLY, by expressing

desired performance in terms of facts and figures.

- They represent the end goals of management, and are the first step of planning.
- Objectives are developed for the whole organisation. Individual departments and groups then develop their own objectives within the broad framework of the organisation's objectives. For eg - "increase sales by 25%."

(ii.) STRATEGY:

- These define the broad contexts for functioning of the organisation.
- It is a broad and comprehensive plan which is laid down to achieve objectives. It is developed by taking into consideration business environment and competition.
- Strategy involves
  - → setting objectives
  - → formulating alternative courses of action
  - → working towards a selected alternative.
- For eg. - "plan to enter Tier-2 and Tier-3 cities, promote their brand through online campaigns, etc."

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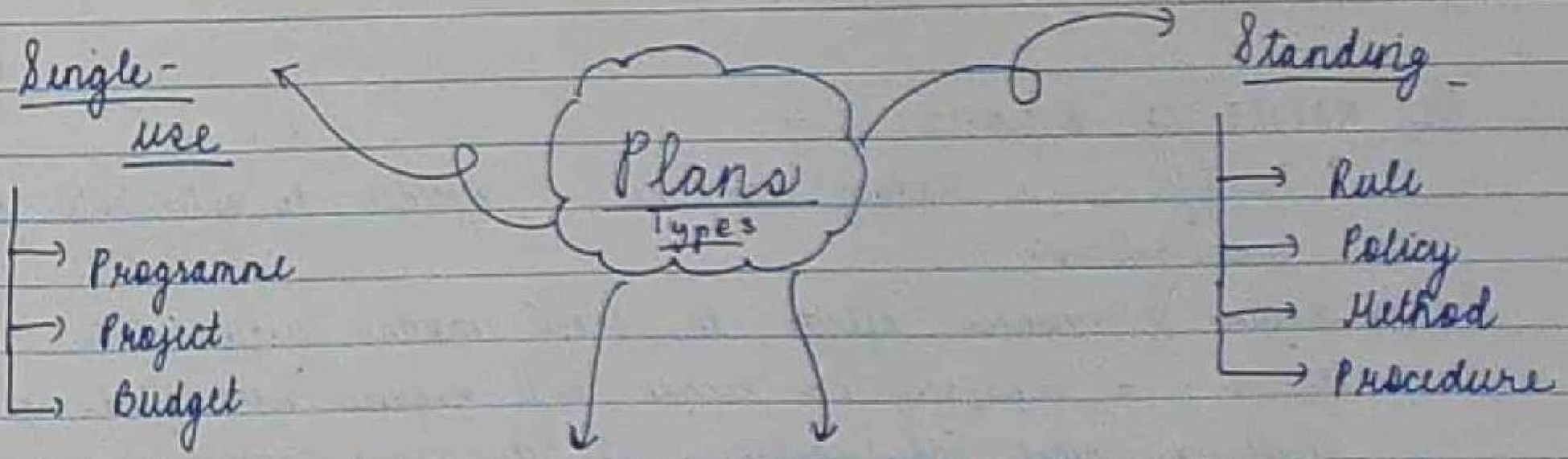
(iii.) POLICY: (Standing Plan)

- A policy is a bread and general guideline which directs energies or channelises thinking to achieve certain objectives.
- It defines an organisation's general response to a specific situation or problem, eg, recruitment policy
- Policies are developed within the framework of strategies.
- Policies may be
  - → MAJOR - for use by all stakeholders
  - → MINOR - for use by employees within the organisation, contain vital details.
- For ex.: "all raw materials had to be certified organic and preferably sources from local farmers."

(iv.) BUDGET: (Single-use plan)

- A budget is a plan which quantifies future facts and figures.
- It expresses in terms of numbers, the expected performance of the enterprise.

- It acts as a control device also by analysing deviations between standard and actual performance.
- It is based on forecasting and is hence considered a major planning tool, like cash budget.
- ~~For eg~~ : "By quantifying future facts and figures, the company planned to control costs and improve performance".



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Factors affecting fixed capital requirements

- Nature of Business
- Level of collaboration
- Diversification
- Financing alternatives
- Growth prospects

(i.) NATURE OF BUSINESS:

- "Fruitjus is a trading company... decides to enter into juice manufacturing"
- Nature of business affects the fixed capital requirements.
- For eg. - a manufacturing concern will require more funds to invest in plant and machinery. So its fixed capital requirements are more than a trading concern, which needs lesser investment in machinery; equipment, etc.

Manufacturing ⟶ Capital ↑
Trading ⟶ Capital ↓

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(ii.) GROWTH PROSPECTS:

- "To meet anticipated higher demand in future, the company set-up a larger manufacturing unit."
- A firm having more growth prospects will need more capital to ~~invest in~~ increase investments. Hence, fixed capital requirement will be higher.
- Even if such growth is expected, fixed capital requirements will increase if the firm chooses to increase its capacity to meet the anticipated higher demand faster.

Growth ↑ Capital ↑
Growth ↓ Capital ↓

(iii.) FINANCING ALTERNATIVES:

- A developed financial market may allow leasing facilities as against outright purchase.
- A firm can use the asset by paying lease rentals and avoid paying huge sums of money required to purchase it.
- Hence, availability of leasing facilities reduce the fixed capital

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Lease ↑ , Capital ↓

requirements of an enterprise.

- "Since the investment was huge, instead of buying all new machinery "Freshju" took some expensive machines on lease."

(iv.) LEVEL OF COLLABORATION:

- "They also collaborated with a nearby packaging unit to use their packing machines during the peak season."
- Collaboration involves sharing of assets by enterprises. This is useful when the level of operations of both enterprises is not large enough to make full use of assets.
- This reduces the fixed capital requirements for both the collaborating organizations.
- Eg: two banks may share an ATM

Collaboration ↑ , Capital ↓

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(a) PERSONAL BARRIERS:

(i.) FEAR OF CHALLENGE TO AUTHORITY:

- If the superior feels that a particular conversation / communication may have an adverse impact or challenge his authority and position in the organisation, he will take steps to supress such communication.

(ii.) LACK OF CONFIDENCE OF SUPERIOR IN SUBORDINATE:

- If the superior does not have confidence in the skills / abilities / competencies of the subordinates, he will not consult them and will not ask for their suggestions.
- This acts as a barrier and hindrance to effective communication.

(iii) UNWILLINGNESS TO COMMUNICATE:

- Sometimes, subordinates may not be willing to express their ideas and communicate with the superior.
- As a result, they will not express their ideas or opinions

freely due to fear of manager's response, etc.
• This also acts as a barrier / hindrance to effective communication.

(iv.) LACK OF PROPER INCENTIVES:

• Employees may not share their ideas or opinions if in the absence of proper incentives, rewards or recognition.
• For eg. if an organisation does not give any proper rewards or recognition for useful suggestions of employees, they may not be willing to share their ideas.
• But if an organisation rewards or recognises employees for their useful ideas, they will be motivated and encouraged to develop and share beneficial opinions.

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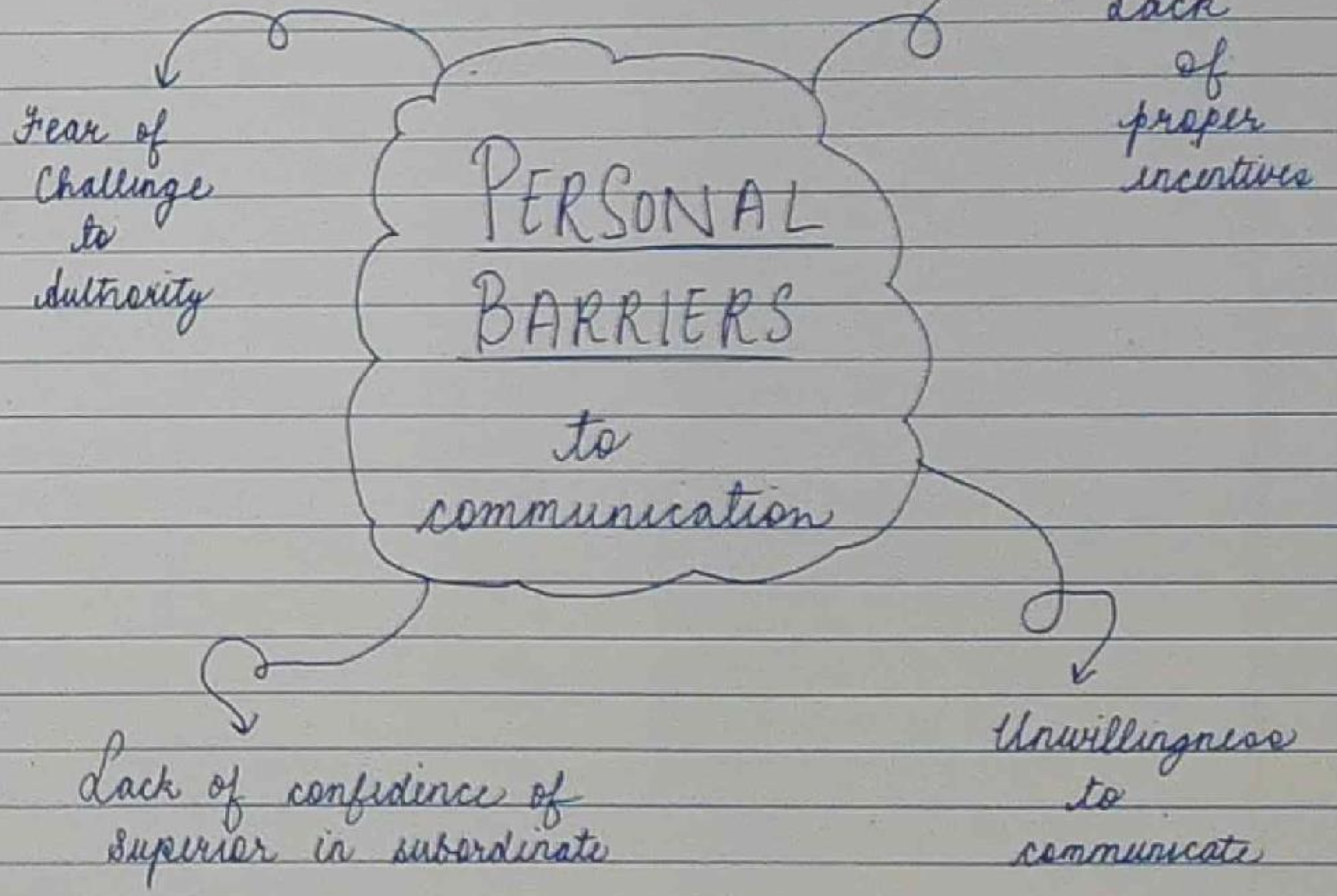

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