

66/1	MARKING SCHEME – 2015-16 BUSINESS STUDIES OUTSIDE DELHI – 66/1 EXPECTED ANSWERS / VALUE POINTS	DISTRIBUTION OF MARKS
1	<p>Q. ‘Is Management concerned only with doing the right task, completing activities and achieving goals without taking into consideration the cost benefit?’ Give reason in support of your answer.</p> <p>Ans. No, management is not only concerned with doing the right task, completing activities and achieving goals but also has to take into consideration the cost benefit i.e. doing the task correctly and with minimum cost.</p>	<p>$\frac{1}{2}$ mark</p> <p>+</p> <p>$\frac{1}{2}$ mark</p> <p>=</p> <p>1 mark</p>
2	<p>Q. Give the meaning of ‘organising as a process’.</p> <p>Ans. Organising is the process of identifying and grouping the work to be performed, assigning duties to job positions and establishing relationships for the purpose of accomplishing objectives.</p> <p>(Or any other correct meaning related to ‘organising as a process’)</p>	<p>1 mark</p>
3	<p>Q. Name the type of organizational structure which promotes flexibility and initiative.</p> <p>Ans. Divisional structure.</p>	<p>1 mark</p>
4	<p>Q. State the role of ‘route clerk’ in functional foremanship.</p> <p>Ans. The role of ‘route clerk’ as a foreman in functional foremanship is to specify the route of production.</p>	<p>1 mark</p>
5	<p>Q. Name and state the aspect of financial management that enables to foresee the fund requirements both in terms of ‘the quantum’ and ‘the timings’.</p> <p>Ans. Financial planning.</p> <p>The process of <u>estimating the fund requirements</u> of a business and <u>specifying the sources of funds</u> is called financial planning.</p> <p style="text-align: center;">OR</p> <p>Financial planning is the preparation of a financial blueprint of an organisation’s future operations.</p>	<p>$\frac{1}{2}$ mark</p> <p>+</p> <p>$\frac{1}{2}$ mark</p> <p>=</p> <p>1 mark</p>
6	<p>Q. Rizul Bhattacharya after leaving his job wanted to start a Private Limited Company with his son. His son was keen that the company may</p>	

	<p>start manufacturing of Mobile- phones with some unique features. Rizul Bhattacharya felt that the mobile phones are prone to quick obsolescence and a heavy fixed capital investment would be required regularly in this business. Therefore he convinced his son to start a furniture business. Identify the factor affecting fixed capital requirements which made Rizul Bhattacharya to choose furniture business over mobile phones.</p> <p>Ans. Technology upgradation.</p>	<p>1 mark</p>
7	<p>Q. Name the function of marketing which is concerned with the cost and location of target market.</p> <p>Ans. Transportation.</p>	<p>1 mark</p>
8	<p>Q. Suman bought a box of cheese of a reputed brand from a local shopkeeper. On opening the box she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week the representative of the company visited Suman's residence with an apology and as a replacement offered her a new cheese pack with four other varieties of cheese as compensation for the inconvenience to her. State the consumer right which Suman exercised.</p> <p>Ans. <u>Right to safety</u> which states that the consumer has a right to be protected against goods and services which are hazardous to life and those which do not conform to the safety norms.</p> <p style="text-align: center;">OR</p> <p><u>Right to seek redressal</u> which states that a consumer has a <u>right to get relief</u> such as <u>replacement</u> of product, removal of defect in the product, <u>compensation</u> for any loss or injury suffered by the consumer in case the product or service falls short of his expectations.</p>	<p>1 mark</p>
9	<p>Q. Define ' Planning.' Explain the first two steps in the process of planning.</p> <p>Ans. Planning is the process of setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from among the various courses of action available.</p> <p style="text-align: center;">(or any other correct definition)</p> <p><u>First two steps in the process of planning are: (With explanation)</u></p> <p>(i) Setting objectives (ii) Developing premises</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	<p>1 mark for the meaning</p> <p style="text-align: center;">+</p> <p>½ mark for each heading</p> <p style="text-align: center;">+</p> <p>½ mark for its explanation</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1 x 2</p> <p style="text-align: center;">=</p> <p>2 marks</p>

		= 1+2 = 3 marks
10	<p>Q. Mr. Fernandes is the owner of Unibie Enterprises, carrying on the business of manufacturing electrical appliances. There is a lot of discontentment in the organization and targets are not being met. He asked his son, Michel, who has recently completed his MBA, to find out the reason.</p> <p>Michel found that all decision making of the enterprise were in the hands of his father. Moreover, his father did not have confidence in the competency of the employees. Thus the employees were not happy.</p> <p>(a) Identify any two communication barriers because of which ‘Unibie Enterprise’ was not able to achieve its target.</p> <p>(b) State one more barrier each of the types identified in part (a) above.</p> <p>Ans. (a) <u>Two communication barriers are:</u></p> <p>(i) Organisational barrier/ Organisational policy</p> <p>(ii) Personal barrier/ Lack of confidence of superior on his subordinates.</p> <p>(b) <u>Organisational barrier: (Any one)</u></p> <p>(i) Rigid <u>Rules and regulations</u> may delay communication.</p> <p>(ii) <u>Status</u> of the superior may not allow his subordinates to express their feelings freely.</p> <p>(iii) <u>Complexity in organization structure</u> leads to delayed and distorted communication.</p> <p>(iv) Lack of <u>organizational facilities</u> like frequent meetings, suggestion box etc. may discourage free flow of communication.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p> <p><u>Personal barrier: (Any one)</u></p> <p>(i) <u>Fear of challenge to authority</u> may make the superior withhold communication.</p> <p>(ii) <u>Unwillingness to communicate</u> on the part of the subordinates may arise if they perceive that the communication may adversely affect their interests.</p> <p>(iii) <u>Lack of proper incentives</u> may hinder the initiative of the subordinates to communicate.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p>	½ x 2 = 1 mark + 1 mark + 1 mark = 1+1+1 = 3 marks
11	<p>Q. Atul –The Assistant Manager, Vikas- The Marketing Head and Leena- The Human Resource Manager of ‘Montac Enterprises Ltd.’ decided to leave the company.</p> <p>The Chief Executive officer of the company called the Human Resource</p>	

<p>Manager, Leena and requested her to fill up the vacancies before leaving the organisation. Leena suggested that her subordinate Miss Rama Wadhwa is very competent and trust worthy, if she could be moved up in the hierarchy, she would do the needful. The Chief Executive Officer agreed for the same. Miss Rama Wadhwa contacted 'Smith Recruiters' who advertised for the post of marketing head for 'Montac Enterprises Ltd.' They were able to recruit a suitable candidate for the company. Atul's vacancy was filled up by screening the database of unsolicited applications lying in the office.</p> <p>(a) Name the internal/ external sources of recruitment used by 'Montac Enterprises Ltd.' to fill up the above stated vacancies.</p> <p>(b) Also state any one merit of each of the above identified source of recruitment.</p> <p>Ans. (a) Sources of recruitment used to fill up the vacancies are:</p> <p>(i) Promotion (ii) Placement Agencies and Management Consultants (iii) Casual Callers</p> <p>(b) Merit of each of the above identified source of recruitment:</p> <p>Promotion: (Any one)</p> <p>(i) It helps to improve motivation, loyalty and satisfaction level of employees. (ii) It has a great psychological impact over the employees because a promotion at a higher level may lead to a chain of promotions at lower levels in the organisation. (iii) It is a more reliable way of recruitment since the candidates are known to the organisation. (iv) It is a cheaper source of recruitment.</p> <p>Placement Agencies and Management Consultants: (Any one)</p> <p>(i) They recommend suitable names to their clients. (ii) It helps in enticing the needed top executives from other companies by making the right offers.</p> <p>Casual Callers: (Any one)</p> <p>(i) It reduces the cost of recruiting workforce in comparison to other sources. (ii) It saves time.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p>	<p style="text-align: right;">$\frac{1}{2} \times 3$</p> <p style="text-align: right;">=</p> <p style="text-align: right;">1 ½ marks</p> <p style="text-align: right;">+</p> <p style="text-align: right;">$\frac{1}{2} \times 3$</p> <p style="text-align: right;">=</p> <p style="text-align: right;">1 ½ marks</p> <p style="text-align: right;">=</p> <p style="text-align: right;">1 ½ + 1 ½</p> <p style="text-align: right;">=</p>
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		3 marks
12	<p>Q. Mr. Vikas Mehra was the Chairman of ‘IBM Bank.’ The Bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce the taking over of ‘UK Bank.’ Mr. Vikas Mehra knew that the share price of ‘ IBM Bank’ would rise on this announcement. Being a part of the Bank, he was not allowed to buy shares of the bank. He called one of his rich friends Mukand and asked him to invest ₹4 crores in shares of his bank promising him the capital gains.</p> <p>As expected after the announcement, the share price went up by 50% and the market price of Mukand’s shares was now ₹6 crores. Mukand earned a profit of ₹2 crores. He gave ₹1 crore to Vikas Mehra and kept ₹1 crore with him. On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity. SEBI imposed a heavy penalty on Vikas Mehra. Quoting the lines from the above para identify and state any two functions performed by SEBI in the above case.</p> <p>Ans. Functions that were performed by SEBI in the above case were:</p> <p>(i) Regulatory function</p> <p><i>‘On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity.’</i></p> <p>SEBI can call for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries.</p> <p>(ii) Protective function</p> <p><i>‘The SEBI imposed a heavy penalty on Vikas Mehra.’</i></p> <p>SEBI controls insider trading and imposes penalties for such practices.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p>	<p>½ mark for identifying each function + ½ mark for quoting the line + ½ mark for each statement = 1 ½ x 2 = 3 marks</p>
13	<p>Q. What is meant by a ‘consumer’ as per the provisions of Consumer Protection Act, 1986?</p> <p>Ans. Under the Consumer Protection Act, a consumer means: (a) Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose.</p>	1 ½ marks

	<p>(b) Any person who hires or avails of any service, for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such services for any commercial purpose.</p> <p>(If the examinee has not given the meaning of ‘consumer’ as per Consumer Protection Act, 1986 but has correctly combined both the parts (a) and (b), only 1½ marks to be awarded)</p>	<p style="text-align: center;">+</p> <p style="text-align: center;">1 ½ marks</p> <p style="text-align: center;">=</p> <p style="text-align: center;">3 marks</p>
<p>14</p>	<p>Q. What is meant by ‘Management’? Explain its any three features that establish it as an Art.</p> <p>Ans. Management is the process of getting things done with the aim of achieving goals effectively and efficiently.</p> <p style="text-align: center;">(Or any other correct meaning)</p> <p><u>Three features that establish it as an art are:</u></p> <p>(i) <u>Existence of theoretical knowledge.</u> As in art, in management too, there is a lot of literature available in various areas of management which the manager has to specialise in.</p> <p>(ii) <u>Personalised application</u> Like in any art, in management too, a manager applies his acquired knowledge in a personalised and unique manner. This gives rise to different styles of management.</p> <p>(iii) <u>Based on practice and creativity</u> Management satisfies this criteria as a manager gains experience through regular practice and becomes more effective.</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	<p style="text-align: center;">1 mark for the meaning</p> <p style="text-align: center;">+</p> <p style="text-align: center;">½ mark for each heading</p> <p style="text-align: center;">+</p> <p style="text-align: center;">½ mark for its explanation</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1 x 3</p> <p style="text-align: center;">=</p> <p style="text-align: center;">3 marks</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1+3</p> <p style="text-align: center;">=</p> <p style="text-align: center;">4 marks</p>
<p>15</p>	<p>Q. With change in the consumption habits of people, Neelesh, who was running a sweet shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates. Identify and explain the dimensions of business environment discussed in the above case.</p> <p>Ans. (i) <u>Social Environment</u> Social Environment includes social forces like custom and traditions, values, social trends and society’s expectation from business.</p> <p>(ii) <u>Technological environment</u> Technological Environment of business includes forces relating to scientific improvements and innovations which provide new ways of producing goods</p>	<p style="text-align: center;">1 mark for identification of each dimension</p> <p style="text-align: center;">+</p> <p style="text-align: center;">1 mark for its explanation</p>

	and services and new methods and techniques of operating a business.	<p style="text-align: center;">=</p> <p style="text-align: center;">2 + 2</p> <p style="text-align: center;">=</p> <p style="text-align: center;">4 marks</p>
16	<p>Q. ‘My Car Ltd.’ decided to set up its new car manufacturing factory in the backward area of West Bengal where very less job opportunities were available. People of that area welcomed this effort of ‘My Car Ltd.’ The company also decided to provide facilities like school, hospital, market etc.in the factory premises so that the people are attracted to join the factory as workers.</p> <p>‘My Car Ltd.’ started earning huge profit. Another competing company asked its production manager Arvind to investigate the reasons of earning huge profits by ‘My Car Ltd’.</p> <p>Arvind found that in both the companies there was systematic coordination among the various activities to achieve organisational goals. Every employee knew who was responsible and accountable to whom. The only difference was in his organisation communication took place only through the scalar chain where as ‘My Car Ltd.’ was allowing flow of communication in all the directions as per the requirement which led to faster spread of information as well as feed-back.</p> <p>(a) Identify the type of organization which permits the flow of communication in all the directions in ‘My Car Ltd’.</p> <p>(b) Also state an advantage of the type of organization identified in part (a) above.</p> <p>(c) State any two values which ‘My Car Ltd.’ wants to communicate to the society.</p> <p>Ans. (a) Informal organisation.</p> <p>(b) <u>Advantage of informal organisation: (Any one)</u></p> <p>(i) It fulfills social needs.</p> <p>(ii) It compensates for inadequacies in the formal organisation.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p> <p>(c) <u>Values which ‘My Car Ltd.’ wanted to communicate to the society are: (Any two)</u></p> <p>(i) Development of backward regions.</p> <p>(ii) Creating employment opportunities.</p> <p>(iii) Providing basic amenities to employees.</p> <p>(iv) Fulfilling social responsibility.</p> <p style="text-align: center;">(Or any other correct value)</p>	<p style="text-align: center;">1 mark</p> <p style="text-align: center;">+</p> <p style="text-align: center;">1 mark for advantage</p> <p style="text-align: center;">+</p> <p style="text-align: center;">1 mark for each value</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1 x 2</p> <p style="text-align: center;">=2 marks</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1+1+2</p> <p style="text-align: center;">=</p> <p style="text-align: center;">4 marks</p>
17	Q. ‘A.S. Environs Ltd.’ is dealing in Environment- Consultancy. To get	

	<p>the business, the team leader and his team used to travel to different states to give presentation to their clients. As per the policy of the company, the team leader used to travel by air whereas his team travelled by road/train. It was not only time consuming but also at times forced the female team members to travel alone.</p> <p>As a result, the subordinates were not acting in a desired manner to achieve organizational goals. The CEO of the company came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that in future all the members including the leader would travel together and usefully utilize the travelling time in discussion about the presentation to be given to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader.</p> <p>State the features of the element of the function of management used by the CEO.</p> <p>Ans. Features of motivation:</p> <p>(a) It is an <u>internal feeling</u> as the urges, drives or needs of human beings which influence human behaviour are internal.</p> <p>(b) It <u>produces goal directed behaviour</u> as it stimulates people to accomplish desired goals.</p> <p>(c) It can be <u>positive</u> in the form of positive rewards or <u>negative</u> like punishment, stopping increments etc.</p> <p>(d) It is a <u>complex process</u> as any type of motivation may not have a uniform effect on all the members.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p>	<p style="text-align: center;">1 x 4 = 4 marks</p>
<p>18</p>	<p>Q. A company was marketing ‘Juicers’ which were very popular due to their quality and after sale services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits the company ignored the after sales services. As a result its relations with the customers got spoiled and the image of the company in the public was damaged. Top management became concerned when the profits for the current quarter fell steeply. On analysis, it was revealed that ignoring the after sales services was its reason. Therefore the company took all possible measures to protect and promote its favourable image. As a result the goodwill of the company improved in the society.</p> <p>(a) Name and state the communication tool used by the marketer in the above case to improve its image.</p> <p>(b) Also explain role of the tool as identified in Part (a).</p> <p>Ans. (a) <u>Public Relations.</u> Public Relations refer to a variety of programmes to promote and protect a company’s image or its products in the eyes of the public.</p> <p style="text-align: center;">(or any other correct meaning)</p> <p>(b) <u>Role of Public Relations: (any three points with explanation)</u></p> <p>(i) Press Relations.</p>	<p style="text-align: right;">½ mark for naming the</p>

	<p>(ii) Product Publicity. (iii) Corporate Communication. (iv) Lobbying. (v) Counselling. (vi) Smooth functioning of business. (vi) Image building. (vii) Launching new products. (viii) Facing adverse publicity. (ix) Supplementing advertising. (x) Satisfying interest of different public groups. (xi) Building awareness (xii) Building credibility. (xiii) Stimulating sales force. (xiv) Lowering promotion costs.</p> <p>(If an examinee has not given the headings but has given the correct explanation, full credit should be given)</p>	<p>tool + ½ mark for stating = $\frac{1}{2} + \frac{1}{2}$ = 1 mark</p> <p>+ ½ mark for heading + ½ mark for its explanation = 1 x 3 = 3 marks = 1+3 = 4 marks</p>
19	<p>Q. State the functions performed by financial market.</p> <p>Ans. <u>Functions of financial market:</u></p> <p>(i) It <u>mobilises savings</u> and <u>channelises</u> them into most productive use by facilitating transfer of savings from savers to investors. (ii) It <u>facilitates price discovery</u> for financial assets by interaction of forces of demand and supply. (iii) It <u>provides liquidity</u> to financial assets as the securities can be easily converted into cash. (iv) It <u>helps to save time, effort</u> and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p>	<p>1 x 4 = 4 marks</p>
20	<p>Q. Two years ago Mayank obtained degree in food technology. For some time he worked in a company manufacturing Bread and Biscuits. He was not happy in the company and decided to have his own Bread and Biscuits manufacturing unit. For this he decided the objectives and targets and formulated action plan to achieve the same. One of his objective was to earn 50% profit on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as a Production Manager who decided the exact manner in which the production activities are to be carried out. Harsh also prepared a statement showing the</p>	

<p>requirement of workers in the factory throughout the year. Mayank informed Harsh about his sales target for different products, areawise for the forth coming quarter. While working on the production table a penalty of Rs 150 per day was announced for not wearing the helmet , gloves and apron by the workers. Quoting lines from the above para identify and explain the different types of plans discussed.</p> <p>Ans. The different types of plans are:</p> <p>(i) <u>Objective</u></p> <p><i>‘One of his objective was to earn 50% profit on the amount invested in the first year’.</i></p> <p>An objective is the end which the management seeks to achieve within a given time period.</p> <p>(ii) <u>Policy</u></p> <p><i>‘It was decided that raw materials like flour, sugar, salt etc. will be purchased on two month credit’.</i></p> <p>Policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.</p> <p>(iii) <u>Procedure</u></p> <p><i>‘He also decided to follow the steps required for marketing the products through his own outlets.’</i> OR <i>‘He appointed Harsh as a Production Manager who decided the exact manner in which the production activities are to be carried out.’</i></p> <p>It consists of sequence of routine steps on how to carry out activities. It details the exact manner in which any work is to be performed.</p> <p>(iv) <u>Budget</u></p> <p><i>‘Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. ‘</i> OR <i>‘Mayank informed Harsh about his sales target for different products, areawise for the forth coming quarter.’</i></p> <p>A budget is plan which states expected results of a given future period in numerical terms. It may be expressed in time, money or physical units.</p> <p>(v) <u>Rule</u></p>	<p>½ mark for identifying the type of plan and quoting it + ½ mark for its explanation = 1 x 5 = 5 marks</p> <p>5 marks</p>
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	<p><i>'While working on the production table a penalty of ₹150 per day was announced for not wearing the helmet, gloves and apron by the workers.'</i></p> <p>A rule is a statement that specifies what is to be done or not to be done.</p>	
21	<p>Q. Prateek is working in a multi national company in Noida. He was running temperature for the last many days. When his blood was tested, he was found positive for malaria. He was admitted in the hospital and a blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent a text message to his superior 'Mr. B. Chatterjee'. Mr. B. Chatterjee immediately sent a text message to the employees of the organization requesting them to donate blood for Prateek. When the General Manager came to know about it he ordered for fumigation in the company premises and for cleaning the surroundings.</p> <p>(a) From the above para quote lines that indicate formal and informal communication</p> <p>(b) State any two features of informal communication</p> <p>(c) Identify any two values that are being communicated to the society in the above case.</p> <p>Ans. (a) <u>Formal communication</u></p> <p><i>'When the General Manager came to know about it, he ordered for fumigation in the company premises and for cleaning the surroundings.'</i></p> <p><u>Informal communication</u></p> <p><i>'One of his colleagues sent a text message to his superior 'Mr. B.Chatterjee'.</i></p> <p>OR</p> <p><i>'Mr. B. Chatterjee immediately sent a text message to the employees of the organization requesting them to donate blood for Prateek.'</i></p> <p>(b) <u>Features of Informal communication: (Any two)</u></p> <p>(i) It takes place without following the formal lines of communication. (ii) It arises out of social needs of the employees (iii) It spreads rapidly.</p> <p style="text-align: center;">(or any other correct feature)</p> <p>(c) <u>Values being communicated to the society are: (Any two)</u></p> <p>(i) Concern for the environment (ii) Cleanliness and hygiene (iii) Concern for safety of human beings (iv) Sensitivity towards health (v) Fulfilling social responsibility.</p>	<p>½ mark for indicating type of communication</p> <p>+</p> <p>½ mark for quoting the lines</p> <p>=</p> <p>1 x 2</p> <p>=</p> <p>2 marks</p> <p>+</p> <p>½ x 2</p> <p>=</p> <p>1 mark</p> <p>+</p>

		1×2 $=$ 2 marks $=$ $2+1+2$ $=$ 5 marks
22	<p>Q. State the steps in the controlling process.</p> <p>Ans. <u>Steps in the controlling process are:</u></p> <p>(i) <u>The standards of performance are set</u> which serve as the criteria against which actual performance will be measured.</p> <p>(ii) <u>Actual performance is measured</u> in an objective and reliable manner in the same units in which standards are set.</p> <p>(iii) <u>Actual performance is compared with the standards</u> to find out the deviation.</p> <p>(iv) <u>Deviations are analysed</u> for their causes through Critical Point Control and Management by Exception.</p> <p>(v) <u>Corrective action is taken</u> if deviations go beyond the acceptable limits..</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p>	<p>1 mark for each statement</p> $=$ 1×5 $=$ 5 marks
23	<p>Q. Describe any four characteristics of ‘co-ordination’.</p> <p>Ans. <u>Characteristics of co-ordination are: (Any four with description)</u></p> <p>(i) Integrates group efforts.</p> <p>(ii) Ensures unity of action.</p> <p>(iii) Continuous process.</p> <p>(iv) Pervasive function.</p> <p>(v) Responsibility of all managers.</p> <p>(vi) Deliberate function.</p> <p>(if an examinee has not given the headings as above but have given the correct explanations, full credit should be given)</p>	<p>½ mark for heading $+$ 1 mark for explanation $=$ $1 \frac{1}{2} \times 4$ $=$ 6 marks</p>
24	<p>Kay Ltd. is a company manufacturing textiles. It has a share capital of ₹60 lakhs. In the previous year its earning per share was ₹0.50 . For diversification, the company requires additional capital of ₹40 lakhs. The company raised funds by issuing 10% Debentures for the same. During the year the company earned a profit of ₹8 lakhs on capital employed. It paid tax @40%.</p> <p>(a) State whether the shareholders gained or lost, in respect of earning per share on diversification. Show your calculations clearly</p> <p>(b) Also, state any three factors that favour the issue of debentures by the company as part of its capital structure.</p> <p>Ans. (a) Earning per share before diversification: ₹0.50</p>	

Calculation of Earning per share after issue of Debentures: (assuming face value of ₹100 per share)

Particulars	₹
Share capital	60,00,000
10% debentures	40,00,000
Total	1,00,00,000
Profit before interest and tax	8,00,000
Less Interest	4,00,000
Profit before tax	4,00,000
Less tax@ 40%	1,60,000
Profit available to shareholders	2,40,000
Earning per share = 2,40,000/60,000	=₹4

This clearly shows that the shareholders have gained after the issue of debentures since the Earning per share has increased from ₹0.50 to ₹4.

OR

Calculation of Earning per share after issue of Debentures: (assuming face value of ₹10 per share)

Particulars	₹
Share capital	60,00,000
10% debentures	40,00,000
Total	1,00,00,000
Profit before interest and tax	8,00,000
Less Interest	4,00,000
Profit before tax	4,00,000
Less tax@ 40%	1,60,000
Profit available to shareholders	2,40,000
Earning per share = 2,40,000/6,00,000	=₹0.40

This clearly shows that the shareholders have lost after the issue of debentures since the Earning per share has decreased from ₹0.50 to ₹0.40.

[**Note:** In case, a student has calculated Return on Investment as 8% (8,00,000/₹1,00,00,000) and compared it with the rate of interest which is 10% and concluded that the shareholders have lost after the issue of Debentures since the interest rate is greater than the Return of Investment, 1 mark is to be awarded]

[**In case the examinee has assumed any other face value and has shown correct calculations and given the correct conclusion, full credit be given**]

2 marks for calculating Profit available to shareholders (₹2,40,000)

+

1 mark for correct calculation of Earning per share and conclusion

=

2+1

=

3 marks for any of the given correct calculations

	<p>(b) Factors that favour issue of debentures by the company: (Any three)</p> <p>(i) A <u>good cash flow position</u> makes debt funding more viable.</p> <p>(ii) <u>High Interest Coverage ratio</u> lowers the risk of company failing to meet its interest payment obligations</p> <p>(iii) <u>High debt service coverage ratio</u> indicates better ability to meet the debt service obligations.</p> <p>(iv) If <u>Return on Investment of the company is higher than the interest rate on debt</u>, its ability to use debt is greater.</p> <p>(v) <u>Lower the cost of debt higher is the ability to employ debt.</u></p> <p>(vi) <u>High tax rate</u> makes debt relatively cheaper.</p> <p>(vii) If the <u>stock market conditions are bearish</u>, a company may be able to easily raise funds through debt.</p> <p>(viii) If the <u>company does not want dilution of control</u>, it will favour debt as a source of finance.</p> <p>(ix) Inclusion of debt in the capital structure makes the capital structure <u>flexible</u>.</p> <p>(x) <u>If the business risk is lower</u>, its capacity to use debt is higher.</p> <p>(xi) Raising funds through debt involves <u>low floatation costs</u>.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p>	<p style="text-align: center;">+</p> <p style="text-align: center;">1 x 3</p> <p style="text-align: center;">=</p> <p style="text-align: center;">3 marks</p> <p style="text-align: center;">=</p> <p style="text-align: center;">3+3</p> <p style="text-align: center;">=</p> <p style="text-align: center;">6 marks</p>
25	<p>Q. Vasvi purchased a bottle of pickle from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District Forum under Consumer Protection Act and got the relief.</p> <p>(a) Identify the important aspect neglected by the marketer in the above case.</p> <p>(b) Explain briefly the functions of the aspect identified in (a) above.</p> <p>\</p> <p>Ans. (a) Labelling.</p> <p>(b) Functions of labelling: (any five points with explanation)</p> <p>(i) Describes the product and specifies its contents.</p> <p>(ii) Identifies the product or brand.</p> <p>(iii) Helps in grading of products.</p> <p>(iv) Helps in promotion of products.</p> <p>(v) Provides information required by law.</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	<p style="text-align: center;">1 mark</p> <p style="text-align: center;">+</p> <p style="text-align: center;">½ mark for heading</p> <p style="text-align: center;">+</p> <p style="text-align: center;">½ mark for explanation</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1 x 5</p> <p style="text-align: center;">=</p> <p style="text-align: center;">5 marks</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1+5</p> <p style="text-align: center;">=</p> <p style="text-align: center;">6 marks</p>