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Answers Key:

6 Marks

1. The factors that affect the determination of a product or service are:
(a) Product cost. The cost of producing, distributing and selling a product sets the minimum level at which a product may be sold. All the firms strive to cover the cost of a product plus a margin of profit above it.
(b) Utility and demand of the product. Utility or satisfaction derived by a consumer from a product and the intensity of his demand sets the upper price limit for a product. The buyer is ready to pay up to a point where utility from the product is at least equal to sacrifice made in terms of money paid for it. Similarly, if the demand is elastic, a small change in the price results in a large change in the quantity demanded; and if the demand ofa product is inelastic, the firm is in a better position to set the price.
(c) Extent of competition in the market. The nature and degree of competition in the market also affects the pricing of a product. Competitors' prices and their anticipated reactions are considered before fixing the price of a product.
(d) Government and legal regulations. The Government intervenes and regulates the price of commodities. It can declare a product as an essential product and regulate its price. Thus, while fixing the price, the government and legal regulations should be taken into consideration.
(e) Pricing objectives. Generally, a firm's objective to set the price of a product is considered while pricing the product. A firm which aims at maximising profit in the short run tends to fix a price on the higher side, as compared to the price set when the objective is to maximise profit in the long run. Similarly, if the objective is to capture the market share, prices can be set at a level lower than that of its competitors.
(f) Marketing methods used. The marketing methods used such as research activity undertaken, salesmen employed, amount of advertising, product differentiation, packaging, credit facility etc. affect price fixation. If a firm has some unique element of marketing, it gives the firm a competitive freedom in fixing the price of its products.
2. Motivation It means incitement or inducement to act or move. In the context of an organisation, it means the process of making subordinates to act in a desired manner to achieve certain organisational goals. It is the act of inspiring employees to work hard to achieve the desired goals of the organisation. Motivation means a process of stimulating people to action to accomplish desired goals. -William G Scout
The salient features of motivation are
(i) Motivation is a psychological phenomenon It is a personal and internal feeling like an urge, drives, desires and aspirations of human being, which influence human behaviour.
(ii) Goal directed behaviour Motivation inspires an employee to achieve goals. Thus, it encourages goal directed behaviour.
(iii) Motivation may be positive or negative Positive motivation means inspiring people to work better by providing incentives and negative motivation means forcing people to work by threatening or punishment.
(iv) Motivation is a complex process, as the individuals are heterogeneous in their expectations, perceptions and reactions.

4 Marks

3. (i) An efficient control system keeps a constant check on the work of an organization. It helps in reviewing and analyzing that the set targets are accurate and achievable.
(ii) Values shown by the employees are:
(a) Respect for order.
(b) Responsible and accountable behavior.
(c) Discipline
(d) Initiative.
4. (i) Recruitment thought placement agency is the external source of recruitment used here.
Limitations of such recruitment are:
(a) Recruitment through external sources takes a long time.
(b) It is a very costly process.A lot of money has to be spent on advertisement and in processing of applications.
(ii) Moral ethical values of trust and honesty are being overlooked.
5. A company's net earnings are divided into two parts, i.e.,-rctained earnings and dividends. Ifthe company has profitable investment opportunities, it would like to retain the earnings and reinvest rather than distribute them as dividends. To finance investment projects, the company has two alternatives either to raise external equity or to internally finance from the retained earnings available. Retained earnings are preferred as a source as they do not involve floatation costs and legal formalities. Thus, the company will pay dividends only when it cannot profitably reinvest the earnings. In this case, the dividend decision is treated as a residual or passive decision.
6. 1. True
2. True
3. False
4. True
5. False
6. True
7. Main functions of top level management are
(a) To strive for welfare and survival of business.
(b) To formulate overall organisational goals and policies of the business.
(c) To integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organisation.
(d) To analyse the business environment and its implications for the survival of the firm.

3 Marks

8. In the financial market, the forces of demand and supply interact and fix the prices of securities. Investor, household represent supplier of funds and business forms the demand. Various market forces also interact and help in fixation of prices of securities.
9. The dimensions of Business environment discussed in the given paragraph are:
   (a) Legal environment. Legal environment includes various legislations passed by the Government, administrative orders issued by government authorities, court judgements, as well as the decisions rendered by various commissions and agencies at every level of government-Center, State, Local. Non-compliance oflaws can land the business enterprises into legal problems.
   (b) Political environment. Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business. Attitudes of the government officials may have either positive or negative impact upon business.
10. (a) It would be in the best interest of the organisation if the existence of such groups is recognised and the roles that their members play are identified.
    (b) The knowledge of such groups can be used to gather their support and consequently lead to improved organisational performance. Such groups can also provide useful communication channels.
    (c) Instead of confronting them, the management should skillfully take advantage of both formal and informal organisation so that work continues smoothly.
11. The factors affecting dividend decision of a company are
    (i) Earnings Dividends are paid to the shareholders either from the past earnings or from the current earnings or from both. Therefore, 'earnings' is a major factor which affects dividend decision.
    (ii) Stability of earnings It also affects the dividend decision. A company having stable earnings can declare higher dividend whereas, a company having unstable earnings is likely to pay smaller dividend.
    (iii) Stability of dividend Companies generally have a policy of stabilising dividends, i.e. increase in dividend is only done when the earning potential of the company has gone up and not just the current year's earnings. Thus, dividend per share is not altered when the change is small or temporary in nature.

Multiple Choice Question

12. (b) T + 3
13. (c) Planning
14. (a) Centralisation
15. (c) Abraham Maslow.
16.
17. (a) Stock
18. (d) Selling concept
19. (d) access to capital market
20. (a) primary
21. (c)

A	B	C	D
(ii)	(iv)	(i)	(iii)

22. (b) Coordination is a deliberate function
23. (c) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like minded people
24. (d) A person who obtains goods for resale purpose
25. (d) Money supply in the economy
26. (c) Brand mark
27. (a) Uncertainty
28. (a) exchange mechanism
29. (d) Implementing the plan
30. (a) Long-term investment decision
31. (a) Protective functions

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