

ICSE Board Class 12, 2026 Commerce Question Paper with Solutions

Time Allowed :3 Hours

Maximum Marks :80

Total questions :13

General Instructions

Read the following instructions very carefully and strictly follow them:

1. The paper is divided into Section A and Section B.
2. Section A includes objective-type questions.
3. All questions in Section A are compulsory.
4. Section B includes short answer, and long answer type questions.
5. Answers must be written legibly within the word limit.
6. Use of unfair means or electronic devices is prohibited.
7. Follow the correct format and instructions for each section.

Section - A

1(i). Tara Ltd. provides medical insurance to all its employees as a part of their compensation package. According to Maslow's theory, which one of the following needs of the employees is fulfilled by Tara Ltd.?

- (A) Social
- (B) Safety
- (C) Esteem
- (D) Physiological

Correct Answer: (B) Safety

Solution:

Maslow's hierarchy of needs includes the following levels:

1. **Physiological Needs:** Basic needs like food, water, shelter. 2. **Safety Needs:** Protection from harm, security, health, and well-being. 3. **Social Needs:** Relationships, love, affection, social interactions. 4. **Esteem Needs:** Respect, recognition, and a sense of accomplishment. 5. **Self-Actualization:** The desire to become the best version of oneself.

Providing medical insurance directly relates to **Safety Needs**, as it ensures health and security for the employees.

Step 2: Conclusion.

Therefore, the correct answer is (B) Safety.

Final Answer: Safety.

Quick Tip

Maslow's theory suggests that needs must be met in a specific order, starting with physiological needs, moving up through safety, social, esteem, and finally self-actualization.

(ii). **The sales team at Nikhar Beauty observed a decline in the customer's interest. The marketing manager decided to adopt a creative approach to address the issue. He designed a unique social media campaign and created 'vlogs' (video clips) wherein customers shared their views and experiences.**

Which aspect of the nature of management is evident in the approach adopted by the marketing manager?

- (A) Management as a Science
- (B) Management as a Profession
- (C) Management as an Art
- (D) Management as a Discipline

Correct Answer: (C) Management as an Art

Solution:

Step 1: Understanding the different aspects of management.

Management is often described as a science, profession, art, and discipline. In this case, the creative approach adopted by the marketing manager, involving designing a social media

campaign and creating vlogs, aligns with management as an art. Management as an art involves the use of personal creativity, judgment, and innovation to solve problems.

Step 2: Analysis of the options.

- **(A) Management as a Science:** Incorrect. Science refers to a systematic approach, which does not fully capture the creativity involved in this case.
- **(B) Management as a Profession:** Incorrect. While management is a profession, the focus in this situation is on the creative and innovative aspect of problem-solving.
- **(C) Management as an Art:** Correct. The marketing manager's approach is highly creative and personalized, making it an example of management as an art.
- **(D) Management as a Discipline:** Incorrect. Discipline refers to the field of study and its principles, which are not as relevant to this creative approach.

Step 3: Conclusion.

The correct answer is (C) Management as an Art, as the manager used creative and innovative methods to solve the issue.

Final Answer: Management as an Art.

Quick Tip

Management as an art involves creativity, innovation, and personal judgment, which are key when addressing unique challenges.

(iii). Libas is an omnichannel brand that manufactures, designs, and sells women's apparel through its own website, exclusive brand outlets, and online marketplaces such as Myntra and Amazon. It operates under names like Libas, Gerua etc. Identify the different channels of distribution used by Libas.

- (A) Only (P) and (Q)
- (B) Only (Q) and (R)
- (C) Only (R) and (S)

(D) Only (Q) and (S)

Correct Answer: (B) Only (Q) and (R)

Solution:

Libas uses different channels of distribution to make its products available to customers.

Based on the description:

- Zero level (P): This involves direct distribution by the company to the consumer without any intermediary. Libas operates through its own website, making it a zero-level distribution channel.
- One level (Q): This involves a direct distribution through a retailer, such as exclusive brand outlets. Libas also uses such retail outlets.
- Two level (R): This involves both a retailer and a wholesaler. Libas sells through online marketplaces such as Myntra and Amazon, which involve intermediary platforms between Libas and the consumer.
- Three level (S): This involves more than two intermediaries, which is not described in the case of Libas.

The correct distribution channels used by Libas are one level (Q) and two level (R).

Step 2: Conclusion.

Therefore, the correct answer is (B) Only (Q) and (R).

Final Answer: Only (Q) and (R).

Quick Tip

Omnichannel distribution refers to a strategy that integrates multiple sales channels (such as physical stores, online stores, and third-party platforms) to offer a seamless shopping experience.

(iv). Dairy Dream is a company that sells milk, cheese, and yogurt. It ensures the freshness of these food items by using the First-In-First-Out (FIFO) method of stock management. Old stock is sold first, while new stock is stored in inventory.

With reference to Inventory Management, identify the element of marketing mix used by Dairy Dream.

- (A) Product mix
- (B) Price mix
- (C) Place mix
- (D) Promotion mix

Correct Answer: (C) Place mix

Solution:

Step 1: Understanding the marketing mix.

The marketing mix consists of the 4 Ps: Product, Price, Place, and Promotion. The FIFO method of inventory management falls under the "Place" aspect, as it ensures the proper handling, storing, and moving of goods through the distribution channels.

Step 2: Analysis of the options.

- **(A) Product mix:** Incorrect. Product mix refers to the variety of products a company offers, but FIFO is about inventory management, which aligns with the Place mix.
- **(B) Price mix:** Incorrect. Price mix deals with pricing strategies and does not directly involve inventory management.
- **(C) Place mix:** Correct. FIFO is related to the Place mix, which involves managing the distribution of products and ensuring their availability at the right time.
- **(D) Promotion mix:** Incorrect. Promotion mix refers to promotional activities, which are not relevant to inventory management.

Step 3: Conclusion.

The correct answer is (C) Place mix, as FIFO directly relates to how the products are stored and distributed in the marketplace.

Final Answer: Place mix.

Quick Tip

Place mix in the marketing mix refers to the distribution of products, which includes storage, inventory management, and product availability.

(v). The management at XYZ Ltd. heavily invests in upgrading techniques of production. It conducts marketing research at regular intervals and discards obsolete technological products. Which one of the following BEST describes the approach of the management at XYZ Ltd.?

- (A) It focuses only on cost reduction.
- (B) It aims to improve its public image.
- (C) It wants to stay ahead of its rivals.
- (D) It wants to lead the market with innovative products.

Correct Answer: (D) It wants to lead the market with innovative products.

Solution:

The company XYZ Ltd. is described as heavily investing in upgrading its production techniques, conducting regular marketing research, and discarding obsolete products. This indicates the company's focus on innovation and leading the market by providing cutting-edge products. Hence, option (D) best describes the approach, which is leading the market with innovative products.

Step 2: Conclusion.

Therefore, the correct answer is (D) It wants to lead the market with innovative products.

Final Answer: It wants to lead the market with innovative products.

Quick Tip

When a company invests in upgrading techniques and discarding obsolete products, it is aiming to innovate and lead the market.

(vi). Given below are two statements marked Assertion and Reason. Read the two statements carefully and choose the correct option.

Assertion: Delegation of authority reduces the workload of managers.

Reason: It allows the managers to focus on strategic activities by assigning the routine work to subordinates.

- (A) Both Assertion and Reason are true and Reason is the correct explanation for Assertion.
- (B) Both Assertion and Reason are true but Reason is not the correct explanation for Assertion.
- (C) Assertion is true and Reason is false.
- (D) Both Assertion and Reason are false.

Correct Answer: (A) Both Assertion and Reason are true and Reason is the correct explanation for Assertion.

Solution:

Step 1: Understanding the assertion and reason.

The assertion states that delegation of authority reduces the workload of managers, which is true as delegation allows managers to assign tasks to subordinates, thus focusing on more strategic issues. The reason explains that delegation allows managers to focus on strategic activities by giving routine tasks to subordinates, which is also accurate.

Step 2: Analysis of the options.

- **(A) Both Assertion and Reason are true and Reason is the correct explanation for Assertion.** Correct. The reason correctly explains why delegation of authority reduces the manager's workload.
- **(B) Both Assertion and Reason are true but Reason is not the correct explanation for Assertion.** Incorrect. The reason does indeed explain the assertion.
- **(C) Assertion is true and Reason is false.** Incorrect. Both the assertion and reason are true.
- **(D) Both Assertion and Reason are false.** Incorrect. Both the assertion and reason are true.

Step 3: Conclusion.

The correct answer is (A), as both the assertion and reason are true and the reason provides the correct explanation for the assertion.

Final Answer: Both Assertion and Reason are true and Reason is the correct explanation for Assertion.

Quick Tip

Delegation of authority not only helps reduce the workload but also empowers subordinates, allowing managers to focus on more strategic decisions.

(vii). With reference to Equity Shares, select the odd one out.

- (A) Ownership securities
- (B) Fixed dividend
- (C) Share in residual profits
- (D) Participation in management

Correct Answer: (B) Fixed dividend

Solution:

Equity shares are a form of ownership in a company and provide the shareholders with several rights. Let's break down the options:

- (A) Ownership securities: Equity shares represent ownership in a company, hence this is correct. - (B) Fixed dividend: Unlike debt securities (like bonds), equity shareholders do not receive a fixed dividend. The dividend is variable and depends on the company's profit, making this option the odd one out. - (C) Share in residual profits: Equity shareholders are entitled to share in the residual profits after all expenses and obligations (like fixed dividends on preference shares) have been met. - (D) Participation in management: Equity shareholders have voting rights and can participate in the company's management by electing directors and voting on major company decisions.

Step 2: Conclusion.

Therefore, the odd one out is (B) Fixed dividend because equity shareholders do not receive a fixed dividend.

Final Answer: Fixed dividend.

Quick Tip

Equity shares provide ownership, a share in profits, and participation in management. However, unlike debt securities, they do not offer a fixed dividend.

(viii) State whether the following are True or False:

(a) *As a function of management, Planning increases the cost significantly as it involves research, analysis, and utilisation of manpower.*

(b) *Critical point control narrows down focus and intervention to key result areas.*

Solution:

(a) True or False:

As a function of management, planning increases the cost significantly as it involves research, analysis, and utilisation of manpower.

This statement is **False**. While planning does involve research, analysis, and utilisation of manpower, its primary objective is to reduce the cost by anticipating potential problems and making more efficient decisions. Planning helps streamline operations and reduce unforeseen costs, thus saving money in the long term.

(b) True or False:

Critical point control narrows down focus and intervention to key result areas.

This statement is **True**. Critical point control is a management strategy that involves focusing on the most important areas (key result areas) of a project or operation, where intervention can make the most significant impact. It helps prioritize efforts and resources on the critical points that ensure success.

Final Answer:

(a) False

(b) True

Quick Tip

In management functions like planning, the aim is to reduce costs through foresight and strategic decision-making, rather than increasing costs.

(ix) In recent times, a software application has been developed that securely stores digital money and personal data of the user, thereby allowing seamless transaction of electronic funds. What mode of digital banking has been referred to above?

Solution: The mode of digital banking referred to above is **Mobile Banking** or **Digital Wallet**. These are applications that securely store digital money and personal data of the user, allowing for the seamless transaction of funds. Through mobile banking apps or digital wallet services like Google Pay, Apple Pay, or Paytm, users can transfer, receive, and manage their electronic funds safely and efficiently.

Quick Tip

Mobile banking and digital wallets have revolutionized the way people handle transactions, making payments fast, secure, and convenient through smartphones.

(x) Jasdeep purchased a new car worth 9 lakhs and paid 1 lakh to the car dealer. She asked him to accessorize it with an enhanced music system and velvet seat covers. The car dealer told Jasdeep to pay the remaining amount after customization.

Identify the short-term source of capital used by the car dealer.

Solution:

In this case, the car dealer is offering Jasdeep the option to pay the remaining amount after the car has been customized. This indicates that the car dealer is using a form of credit to fund the customization. The short-term source of capital used by the car dealer here is likely trade credit, where the dealer allows the customer to make a partial payment upfront and the remaining amount after a certain period (in this case, after the customization of the car).

Final Answer:

The short-term source of capital used by the car dealer is trade credit.

Quick Tip

Trade credit is a short-term source of capital that allows businesses to delay payments for goods and services purchased, which helps in managing cash flow.

(xi) Study the relation between the first pair and complete the analogy.

(a) Luxury electronic watch: Price skimming :: Mass market consumer goods: -----

(b) Goods and Services Tax: Economic environment :: Consumer Protection Act 2019:

Solution: (a) Luxury electronic watch: Price skimming :: Mass market consumer goods:

Penetration pricing. Explanation: Price skimming is a pricing strategy where a high price is initially set to target consumers willing to pay a premium for a luxury product. In contrast, mass market consumer goods often use penetration pricing, which involves setting a low initial price to attract a large number of customers quickly.

(b) Goods and Services Tax: Economic environment :: Consumer Protection Act 2019:

Consumer rights and protection. Explanation: The Goods and Services Tax (GST) is a law related to the economic environment as it influences the economy and market pricing.

Similarly, the Consumer Protection Act 2019 focuses on consumer rights and protection, addressing issues related to the interests of consumers.

Quick Tip

Analogies can help strengthen understanding of concepts by associating them with familiar terms and ideas. Focus on the relationships between the pairs.

(xii) A cement manufacturing company plans to raise 100 crores by offering Equity Shares to financial institutions.

Name the capital raising method considered by the cement manufacturing company.

Solution:

The cement manufacturing company is raising capital by offering equity shares to financial institutions. This method of raising capital is known as Equity Financing. In this case, the company is offering equity shares to financial institutions in exchange for capital. By doing so, the company is allowing investors to become shareholders and thus share in the ownership and future profits of the company.

Final Answer:

The capital raising method considered by the cement manufacturing company is Equity Financing.

Quick Tip

Equity financing involves selling shares of the company to raise funds. This method does not require repayment, but it dilutes the ownership among shareholders.

(xiii) Given below is a poster put up in a library. Identify the type of plan depicted by it.



Solution: The poster depicts a **set of rules and guidelines** for maintaining discipline in the library. This is an example of a **regulatory plan** or **conduct plan**, which is designed to set behavioral expectations for individuals who visit the library. The plan provides instructions on what is allowed (dos) and what is prohibited (don'ts), ensuring that the library environment remains organized, quiet, and clean.

Quick Tip

Regulatory plans are commonly used in public places like libraries, schools, and offices to maintain order and ensure that everyone follows certain norms.

(xiv) **A couple sued an airline and its regional manager after they failed to allot them seats on a flight despite having paid extra for seat selection. The consumer court directed the airline to give a compensation of ₹25,000 and a refund of seat selection charges to the couple.**

Name the consumer right exercised by the couple.

Solution:

The consumer right exercised by the couple is the **Right to Redressal of Grievances**. This right ensures that consumers have the right to seek compensation for poor or unfair services, as in this case where the couple paid extra for seat selection but did not receive the service they paid for. The consumer court granted them compensation and a refund, which falls under this right.

Final Answer:

The consumer right exercised by the couple is the **Right to Redressal of Grievances**.

Quick Tip

The Right to Redressal of Grievances ensures that consumers can seek compensation or resolution if they are subjected to unfair or faulty services or products.

Section - B

2. Shubhi has to transfer 1 lakh to her son's account who is pursuing a course in engineering in Mumbai. She considers NEFT for transferring funds. Discuss any four features of the method of fund transfer considered by Shubhi.

Solution:

The fund transfer method considered by Shubhi is NEFT (National Electronic Funds Transfer). Some of the features of NEFT are:

1. **Electronic Transfer:** NEFT is a completely electronic payment system that allows funds to be transferred from one bank account to another across the country.
2. **No Minimum Transfer Amount:** NEFT allows the transfer of any amount, with no minimum limit. This makes it convenient for both small and large transfers.
3. **Scheduled Payments:** NEFT transactions are processed in batches, typically every half hour during business hours, making it suitable for transferring funds without immediate urgency.
4. **Secure and Reliable:** NEFT is a highly secure method for transferring funds as it operates under the guidelines set by the Reserve Bank of India (RBI). It uses encryption and other measures to ensure the safety of transactions.

Final Answer:

The four features of NEFT are: 1. Electronic Transfer 2. No Minimum Transfer Amount 3. Scheduled Payments 4. Secure and Reliable

Quick Tip

NEFT is widely used for both personal and business payments, and it is one of the most secure and cost-effective methods for transferring funds across India.

3(i) A company has five hundred workers. The management has created a structure in which each worker has a clearly defined role and responsibility. Identify the type of organisation described above. State any three of its features.

Solution: The type of organisation described above is **Functional Organisation**. In a functional organisation structure, employees are grouped based on their roles or specialized functions within the company. Each worker has a clearly defined responsibility and reports to a specific manager or supervisor.

Three features of a functional organisation:

1. **Specialization:** Employees are grouped into departments based on their specialized roles or functions, such as marketing, finance, HR, etc.
2. **Clear Hierarchy:** There is a well-defined chain of command where each worker reports to a supervisor or department head.
3. **Efficiency:** Since workers specialize in specific tasks, functional organisations tend to be efficient in terms of task completion and productivity.

Quick Tip

A functional organisation structure is ideal for companies that require specialization and a clear hierarchy of responsibilities.

(ii) Global Designs Ltd. organised a virtual meeting of its head office in Mumbai and its overseas branch in France. During the discussion, the manager of the overseas branch used some French words and phrases that the Indian staff could not understand. Identify the barrier that hampered communication in the above scenario. Explain any three other barriers to communication.

Solution:

In the above scenario, the barrier that hampered communication is the language barrier. The use of French words and phrases that the Indian staff could not understand led to miscommunication and confusion.

Three other barriers to communication are:

1. **Physical Barriers:** These include environmental factors such as noise, poor reception, or technical issues that interfere with the effective transmission of the message. In a virtual meeting, issues like poor internet connectivity can be a physical barrier.
2. **Emotional Barriers:** Emotions such as fear, anger, or anxiety can hinder clear communication. For instance, if a person is upset or anxious, they may not be able to convey their message effectively, or they may misinterpret the message of others.
3. **Cultural Barriers:** Differences in cultural backgrounds, values, or beliefs can lead to misinterpretations or misunderstandings. For example, non-verbal communication such as gestures or body language may have different meanings in different cultures.

Final Answer:

The communication barrier in the scenario is the language barrier. Other barriers to communication include: 1. Physical barriers 2. Emotional barriers 3. Cultural barriers

Quick Tip

Effective communication requires overcoming barriers like language, physical interruptions, emotional distractions, and cultural differences to ensure messages are understood clearly.

4. At Vision Ltd., the CEO always consults her team before taking any major decision. On the contrary, the CEO at Mica Ltd. gives strict instructions to her subordinates and expects them to follow without questioning. What types of leadership styles are reflected at Vision Ltd. and Mica Ltd.? Briefly explain each of them.

Solution: The leadership styles reflected at Vision Ltd. and Mica Ltd. are:

- 1. Democratic Leadership Style (Vision Ltd.):** At Vision Ltd., the CEO consults her team before making major decisions. This indicates a democratic leadership style where the leader encourages input, feedback, and participation from team members. In a democratic leadership style, decisions are made collectively, and the leader ensures that the subordinates feel valued and involved in the decision-making process.
- 2. Autocratic Leadership Style (Mica Ltd.):** At Mica Ltd., the CEO gives strict instructions to subordinates and expects them to follow without questioning. This is an example of an autocratic leadership style, where the leader has full control over decision-making and gives clear, direct instructions. Subordinates are expected to comply with the leader's orders without input or feedback. This style is often used in situations where quick decision-making is needed, or when the leader has the necessary knowledge and experience to make all decisions.

Quick Tip

Democratic leadership is more inclusive and focuses on team input, whereas autocratic leadership is more directive, with the leader making decisions unilaterally.

5(i) With reference to the Principles of Scientific Management advocated by F.W. Taylor, briefly explain the principles illustrated in subparts (i) and (ii).



(i) Image 1 shows a group of employees engaged in a meeting or discussion, while the leader seems to be guiding or supervising them. This illustrates the principle of **'Scientific Selection and Training of Workers.'** In this principle, Taylor emphasized that workers should be selected based on scientific methods, ensuring that they are best suited for specific tasks. Moreover, proper training should be given to workers to enhance their efficiency, skills, and output.

(ii) Image 2 shows workers performing tasks individually at their workstations with a focus on using tools and technology to increase their efficiency. This illustrates the principle of **'Standardization of Tools and Procedures.'** Taylor advocated for standardizing tools, methods, and work procedures to increase productivity. By using standardized tools and techniques, the overall efficiency and output can be maximized.

Quick Tip

F.W. Taylor's Scientific Management focuses on improving efficiency through proper selection, training, and standardization of work methods.

(ii) Bonus given to the employees at Heel & High Ltd.

Year	Profit (in %)	Bonus (in %)
2020 - 21	50	10
2021 - 22	55	12
2022 - 23	65	25
2023 - 24	70	35
2024 - 25	80	40

Solution:

This table shows the bonus given to the employees at Heel & High Ltd. based on the profit percentage in each year from 2020-21 to 2024-25. The bonus percentage increases as the profit percentage rises, indicating a direct correlation between the company's performance and the bonuses provided to its employees.

Final Answer:

The table shows the bonus given to employees based on the profit percentages each year, demonstrating how the company rewards its employees for good performance.

Quick Tip

Linking employee bonuses to the company's profit not only motivates employees but also aligns their interests with the organization's success.

6. Blossom Ltd. is a newly established company which faces a challenge of raising additional capital from the public for its long-term needs. Therefore, it approaches SIDBI and SFCs for support. Evaluate any two advantages and any two disadvantages to Blossom Ltd. of raising capital from financial institutions mentioned.

Solution: Blossom Ltd. is seeking financial support from SIDBI (Small Industries Development Bank of India) and SFCs (State Financial Corporations), which provide capital to businesses for long-term growth. Here are two advantages and two disadvantages of raising capital from these institutions:

Advantages:

- 1. Lower Interest Rates:** Financial institutions like SIDBI and SFCs often offer loans at lower interest rates compared to commercial banks, making it more affordable for Blossom Ltd. to raise capital for its long-term needs.
- 2. Long-term Financial Support:** SIDBI and SFCs are more likely to provide long-term financing options that are crucial for the growth and expansion of a newly established

company like Blossom Ltd. This helps the company to focus on long-term planning and growth rather than short-term financial pressures.

Disadvantages:

1. **Complex Documentation and Processing:** Raising funds from financial institutions such as SIDBI and SFCs involves a lot of documentation and lengthy processing time. Blossom Ltd. may face delays in obtaining the necessary funds due to bureaucratic hurdles.
2. **Collateral Requirement:** SIDBI and SFCs may require collateral to secure the loan, which could be a challenge for Blossom Ltd. if it does not have sufficient assets to pledge. This could potentially put the company's assets at risk.

Quick Tip

While financial institutions offer valuable support for raising capital, businesses must weigh the advantages and disadvantages, especially the impact of collateral and the time required for processing.

7 (i). Pep-up Beverages introduced fruit juices in tetra packs which displayed the brand's name, ingredients, nutritional value, expiry date, and price. It also mentioned 'No Added Sugar' to attract health-conscious buyers. State any four merits of the facilitating marketing function indicated in the above scenario.

Solution:

The marketing function of **product labeling and packaging** has several merits in this scenario. The four merits are:

1. **Informs the Consumers:** The information provided on the packaging such as the brand's name, ingredients, nutritional value, expiry date, and price informs consumers about the product's quality and its benefits, allowing them to make an informed decision.

2. **Promotes Transparency:** By mentioning 'No Added Sugar', the brand provides transparency, which appeals to health-conscious buyers, assuring them that the product is free from unnecessary additives.
3. **Attracts Health-Conscious Consumers:** The mention of "No Added Sugar" helps target a specific market segment of health-conscious buyers who prefer products with low or no sugar content, thereby attracting more customers.
4. **Regulatory Compliance:** Including details such as the expiry date and nutritional value ensures the product complies with food labeling regulations, making it legally acceptable and safe for consumer use.

Final Answer:

The four merits of the facilitating marketing function are: 1. Informs the Consumers 2. Promotes Transparency 3. Attracts Health-Conscious Consumers 4. Regulatory Compliance

Quick Tip

Effective product labeling not only informs consumers but also helps in building trust, which is key to attracting and retaining customers.

(ii) Samsung sells mobiles, televisions, laptops, and other electronic products under a single unique name. This has led to an increase in its market share. With reference to the above context, discuss any four benefits of the facilitating marketing function.

Solution: In the context of Samsung's strategy of selling multiple products under a single unique name, here are four benefits of the facilitating marketing function:

1. Brand Recognition: By selling different electronic products under the same name, Samsung has created a strong, unified brand identity. This enhances brand recognition, which helps customers easily identify Samsung products in the market. A strong brand can influence consumer purchasing decisions and increase market share.

2. Economies of Scale: Facilitating marketing functions, such as advertising, packaging, and distribution, can be streamlined across all products under the same brand. This helps

Samsung achieve economies of scale, reducing costs and improving profitability. Marketing efforts for one product can be leveraged for others, making the overall process more efficient.

3. Customer Loyalty: When customers purchase one product from a brand and have a positive experience, they are more likely to buy other products from the same brand. By offering a wide range of electronic products under a single brand, Samsung can foster customer loyalty and increase repeat purchases, contributing to long-term growth.

4. Enhanced Market Share: Selling multiple product categories under the same brand allows Samsung to target a larger market. The company can appeal to different customer needs and preferences, from mobile phones to home entertainment systems, which helps it increase its market share and become a dominant player in the electronics industry.

Quick Tip

A well-executed facilitating marketing function can streamline business operations, reduce costs, and enhance brand strength across multiple product lines.

8. Consumer protection is a necessity in today's business environment. Justify the statement by giving any four reasons.

Solution: Consumer protection is vital in today's business environment for several reasons:

- 1. Ensures Fair Business Practices:** Consumer protection laws ensure that businesses act in a fair and ethical manner. By protecting consumers from exploitation, businesses are encouraged to follow fair practices, leading to a healthier market environment.
- 2. Builds Consumer Confidence:** When consumers feel protected by regulations, they are more likely to make purchases, knowing that their interests are safeguarded. This helps boost consumer confidence and contributes to the overall growth of the economy.
- 3. Reduces Fraud and Misrepresentation:** Consumer protection laws help reduce fraudulent practices, misrepresentation, and unethical business conduct. Consumers are given legal recourse if they face harm from such activities, promoting transparency and trust in the market.

4. **Promotes Competition:** Consumer protection laws help ensure that businesses compete fairly. This fosters innovation, lowers prices, and results in better quality products and services, ultimately benefiting the consumer.

Quick Tip

Strong consumer protection laws benefit both consumers and businesses by ensuring ethical conduct and maintaining a healthy competitive environment.

9. The Board of Directors at Meet Geet Ltd. takes all major and minor decisions which often results in a delay in execution of work. To overcome this challenge, they decide to disperse the authority of decision making to all levels of management. Analyse any four ways in which this change will benefit Meet Geet Ltd.

Solution: Dispersing the authority of decision-making to all levels of management will benefit Meet Geet Ltd. in the following ways:

1. **Faster Decision Making:** By decentralizing decision-making, decisions can be made quickly at the level closest to the issue. This reduces delays and helps the company to act faster in a competitive business environment.
2. **Improved Efficiency:** When lower management has the authority to make decisions, it leads to faster resolution of day-to-day issues. This increases operational efficiency as managers can solve problems on their own without waiting for approvals from higher-ups.
3. **Empowerment of Employees:** Giving employees at all levels the authority to make decisions empowers them and boosts their morale. It also encourages a sense of responsibility, as they feel trusted by the organization to handle important tasks.
4. **Better Adaptation to Market Changes:** A decentralized structure allows the company to respond more quickly to changes in the market or customer needs. Local managers can make decisions that are more aligned with specific market conditions, leading to a more flexible and responsive organization.

Quick Tip

Decentralization leads to quicker decision-making and greater employee empowerment, both of which are essential for a company's growth and adaptability.

Question 10 (i) Discuss any five points highlighting the importance of business environment.

(ii) Explain any three points on the relevance of objectives of management.

Solution:

(i) Importance of Business Environment: The business environment refers to the various factors that affect the operations of a business. Here are five key points highlighting its importance:

1. **Helps in Decision-Making:** A clear understanding of the business environment helps managers to make informed decisions. Knowledge of market trends, competition, and customer preferences is essential to adapt strategies for success.
2. **Identifying Opportunities and Threats:** The business environment helps in identifying new opportunities and potential threats in the market. For instance, economic changes can provide new growth opportunities, while social trends can highlight potential risks.
3. **Facilitates Adaptation:** A dynamic business environment forces companies to be flexible and adapt to changes. Organizations that are aware of environmental shifts can implement changes more effectively, ensuring they remain competitive.
4. **Enhances Competitiveness:** A sound understanding of competitors and market conditions helps a business to design strategies that can make it more competitive in the market. The environment provides key insights into what competitors are doing, enabling better strategic planning.
5. **Promotes Innovation:** A business environment that is open to new ideas encourages innovation. By understanding changes in technology, customer behavior, and market needs, businesses can develop new products and services, thus gaining a competitive edge.

(ii) Relevance of Objectives of Management: The objectives of management guide the organization toward achieving its goals. Here are three points that highlight their relevance:

1. **Clear Direction:** Objectives give the organization a clear direction. They help to align the efforts of all members of the organization toward a common purpose, ensuring that everyone is working towards the same goals.
2. **Performance Evaluation:** Management objectives provide benchmarks for performance evaluation. By setting clear, measurable goals, managers can assess how well the organization is doing in achieving its objectives and make necessary adjustments.
3. **Resource Utilization:** Objectives help in the effective allocation and utilization of resources. Clear goals enable managers to allocate resources efficiently, ensuring they are used where they are most needed to achieve the desired outcomes.

Final Answer:

(i) The five points highlighting the importance of business environment are: 1. Helps in decision-making 2. Identifying opportunities and threats 3. Facilitates adaptation 4. Enhances competitiveness 5. Promotes innovation

(ii) The three points on the relevance of objectives of management are: 1. Clear direction 2. Performance evaluation 3. Resource utilization

Quick Tip

Understanding the business environment is critical for making strategic decisions, identifying opportunities, and staying competitive. Similarly, clear objectives are crucial for aligning efforts and evaluating performance.

Question 11

(i) Name the hybrid security that carries a fixed rate of dividend and is a source of long-term finance for a company. Explain any four types of such security.

Solution: The hybrid security that carries a fixed rate of dividend and serves as a source of long-term finance is called **Preference Share Capital** or simply **Preference Shares**. These shares offer a fixed dividend and are a combination of both debt and equity, making them a hybrid security.

Four types of preference shares:

1. **Cumulative Preference Shares:** These shares entitle the shareholder to accumulate unpaid dividends from previous years, which must be paid before any dividends are paid to common shareholders.
2. **Non-cumulative Preference Shares:** Unlike cumulative preference shares, these shares do not allow shareholders to accumulate unpaid dividends. If a dividend is not declared in a particular year, the shareholder forfeits that dividend.
3. **Participating Preference Shares:** These shares allow shareholders to receive additional dividends beyond the fixed rate, based on the company's profits, after paying dividends to common shareholders.
4. **Convertible Preference Shares:** These shares can be converted into common shares after a certain period or at the discretion of the shareholder, giving them the option to benefit from future capital appreciation.

Quick Tip

Preference shares provide a fixed return like debt but give shareholders certain equity-like benefits such as the possibility of conversion or participation in profit-sharing.

(ii) Mr. Yang wants to invest 30 lakhs in his company. His manager advises him to invest 40% in capital that changes its form and the remaining 60% in capital that does not change its form. Identify the types of capital advised by the manager. State any two differences between these types of capital.

Solution: The types of capital advised by the manager are:

1. **Equity Capital (40%):** This is the capital invested by the owner or shareholders. It represents ownership in the company and can change its form as the business grows, often through the issue of more shares or changes in ownership structure.

2. **Debt Capital (60%):** This is the capital raised through loans, bonds, or other debt instruments. Debt capital does not change its form and must be repaid along with interest.

Two differences between equity capital and debt capital:

1. **Ownership vs. Liability:** Equity capital represents ownership in the company, while debt capital is a liability that the company must repay.
2. **Dividend vs. Interest:** Equity holders receive dividends based on the company's profits, while debt holders receive fixed interest payments, regardless of the company's performance.

Quick Tip

Equity capital provides ownership and potential for higher returns but involves more risk, whereas debt capital offers fixed returns with lower risk but does not provide ownership in the company.

(iii) Describe any five factors that a business organisation considers while determining its debt-to-equity ratio.

Solution: When determining the debt-to-equity ratio, a business organisation must consider the following factors:

1. **Nature of Business:** The type of business significantly affects its debt-to-equity ratio. For instance, capital-intensive industries may need to rely more on debt financing, whereas service-oriented businesses may need less debt.
2. **Stability of Earnings:** Companies with stable earnings are more likely to take on debt, as they can comfortably meet interest and principal payments. Businesses with volatile earnings may prefer to maintain a lower debt-to-equity ratio to avoid the risk of insolvency.

3. **Cost of Borrowing:** If the cost of borrowing is low (i.e., interest rates are favorable), a company may be willing to take on more debt. Conversely, high borrowing costs could discourage debt financing, leading to a preference for equity financing.
4. **Risk Tolerance:** The company's risk tolerance also plays a role. A company with a higher tolerance for risk might be more comfortable using debt to finance its operations, while a more conservative company may prefer equity to avoid the financial strain of debt repayment.
5. **Legal and Tax Considerations:** The tax deductibility of interest on debt may encourage the use of debt financing. Additionally, legal constraints, such as debt covenants, can limit a company's ability to take on excessive debt.

Quick Tip

Maintaining a balanced debt-to-equity ratio is essential to ensure financial stability and lower the risk of financial distress.

(iv) **Kriya Ltd. wants to issue fully paid-up shares to its existing shareholders, whereas Aakash Ltd. plans to issue new shares to its existing shareholders for increasing the subscribed capital of the company. Name the types of securities which Kriya Ltd. and Aakash Ltd. want to issue. Contrast these securities on any two bases.**

Solution: Types of securities: - **Kriya Ltd.** wants to issue **Bonus Shares** to its existing shareholders. - **Aakash Ltd.** plans to issue **Right Shares** to its existing shareholders.

Contrasting the securities:

1. Basis 1: Purpose of Issue

- **Bonus Shares:** These shares are issued to existing shareholders free of charge, typically out of the company's retained earnings or reserves, as a form of dividend reinvestment.
- **Right Shares:** These shares are offered to existing shareholders at a discounted price to raise additional capital for the company.

2. Basis 2: Impact on Shareholding

- **Bonus Shares:** Issuing bonus shares does not raise any fresh funds, and the ownership percentage of shareholders remains unchanged.
- **Right Shares:** The issue of right shares allows the company to raise funds, and shareholders can increase their shareholding by subscribing to the new shares.

Quick Tip

Bonus shares increase the number of shares but do not raise capital, whereas right shares are issued to raise fresh funds from shareholders.

12(i). Explain any five objectives of Marketing.

Solution: The five objectives of marketing are:

1. **Satisfying Customer Needs:** The primary objective of marketing is to identify and fulfill customer needs by offering products or services that meet those needs.
2. **Increasing Sales and Market Share:** Marketing aims to increase the sales of a company by attracting more customers and expanding market share.
3. **Building Brand Awareness:** Creating and promoting brand awareness is essential for customer loyalty and trust. Marketing efforts aim to familiarize the target audience with the brand and its offerings.
4. **Profit Maximization:** The ultimate goal of marketing is to maximize profits by optimizing pricing strategies, increasing sales volume, and managing costs effectively.
5. **Enhancing Customer Satisfaction and Loyalty:** Marketing activities aim to build long-term relationships with customers by enhancing their satisfaction and retaining them through personalized services and after-sales support.

Quick Tip

Effective marketing focuses on understanding the market and customers, ensuring the right product reaches the right customer at the right price.

(ii) Discuss any three marketing functions of Exchange.

Solution: The three marketing functions of exchange are:

1. **Buying:** The buying function involves acquiring goods and services from suppliers to be sold to customers. This includes selecting the right suppliers, negotiating prices, and purchasing products that meet market demand.
2. **Selling:** The selling function involves offering products to customers and persuading them to purchase. It includes promotional activities, advertising, and personal selling efforts to generate sales and create demand.
3. **Risk-Bearing:** Exchange functions involve assuming the risks associated with buying and selling goods. This includes risks of price fluctuations, unsold inventory, and changes in customer preferences. Marketers must manage these risks by setting appropriate prices and strategies.

Quick Tip

The exchange process is central to marketing, as it involves the movement of goods and services from sellers to buyers, creating value for both parties.

Question 13 Read the passage given below and answer the questions that follow.

Maria, an MBA from a foreign university, quit her job in a multinational corporation and decided to start a tea business by using organic products. She researched on the commercial viability of the business, existing tea producing companies in India and the

prospective consumers. She created a business plan and approached the financiers to raise funds.

On receiving funds, she established a small company and hired an HR Manager whose prime responsibility was to recruit suitable candidates. He was required to select personnel and assign job profiles as per their specialisation and experience. His role also entailed acquainting them with the service rules, order of hierarchy and entitlements.

(i) Identify the steps of planning followed by Maria in the above case.

Solution: The steps of planning followed by Maria in the above case are:

1. **Setting Objectives:** Maria identified her goal of starting a tea business using organic products and researched the commercial viability.
2. **Identifying Resources:** She researched existing tea-producing companies in India and identified the resources required, including funds and a business plan.
3. **Formulating a Business Plan:** Maria created a detailed business plan to outline the steps for establishing and running the tea business.
4. **Approaching Financers:** She approached financiers to raise the necessary funds for her business.
5. **Organizing Resources:** Upon receiving funds, Maria established her company and hired an HR manager to recruit and manage employees.

Quick Tip

Planning involves identifying objectives, gathering resources, formulating plans, and organizing for execution. A structured approach ensures that the goals are achieved efficiently.

(ii) Suggest any two suitable sources of recruitment that the HR Manager can adopt in the above case.

Solution: The HR Manager can adopt the following two suitable sources of recruitment:

1. **Internal Recruitment:** The HR Manager can promote or transfer existing employees within the organization to new roles based on their experience and skills. This method saves time and cost associated with external recruitment.
2. **External Recruitment:** The HR Manager can also recruit candidates from external sources such as job portals, recruitment agencies, or college placement drives to bring in fresh talent with the required skill sets and experience.

Quick Tip

Using a combination of internal and external recruitment can help an organization acquire the right talent while also retaining and promoting internal employees.

(iii) Discuss any four points on the relevance of Staffing for Maria's company.

Solution: Staffing is crucial for Maria's company, and here are four reasons why:

1. **Ensures the Right Skills and Expertise:** Staffing ensures that Maria's company hires the right people with the required skills and qualifications, helping the business grow and meet its goals.
2. **Boosts Efficiency:** A properly staffed company can operate efficiently with the right employees in place, contributing to smooth operations and quick decision-making.
3. **Improves Employee Morale:** When staffing is done correctly, employees feel more satisfied with their roles, leading to improved morale and retention.
4. **Supports Organizational Growth:** Proper staffing enables Maria's company to scale as it grows by hiring more skilled employees as the business expands into new areas.

Quick Tip

Effective staffing plays a vital role in building a productive workforce that contributes to achieving business goals and objectives.

