CBSE Class 12 Business Studies Question Paper 2017 with Solution PDF-Set 66/1/1 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions

(i) Answers to questions carrying **1 mark** may be from **one word to one sentence**.
(ii) Answer to questions carrying **3 marks** may be from **50-75** words.
(iii) Answer to questions carrying **4-5 marks** may be about **150** words.
(iv) Answers to questions carrying **6 marks** may be about **200** words.
(v) Attempt all parts of a question together.

1. On the introduction of 'Goods and Services Tax Act, experts in the field of business started analysing and forecasting its impact on various sectors and industries. Vivek, an established businessman, attended a few seminars and conferences organized by such experts to familiarize himself with this information. He wanted to use these forecasts to reduce the uncertainty in making decisions for the future in his business. Name the step in the planning process that is being discussed in the above paragraph. [1 mark]

Solution:

Concept:

- Planning rests on assumptions about the future conditions in which a plan will operate.
- Developing premises means establishing these assumptions using information and forecasts.

Step 1: Identify the use of the forecasts Vivek attends seminars to learn about the likely impact of the Goods and Services Tax Act. The words 'use these forecasts to reduce the uncertainty' show that he is gathering a basis for future business decisions.

Step 2: Connect the information with planning premises Forecasts about taxes, demand and business conditions help a manager make assumptions about the future environment. Here the forecasts are being used to establish the premises on which plans will be based, rather than to select one final course of action.

Step 3: Conclusion The step is developing premises.

Quick Tip to Solve: Forecasts used as assumptions for future plans indicate developing premises.

2. How do principles of management help managers in taking decisions Scientifically ? State. [1 mark]

Solution:

Concept:

- Management principles are based on observation, experimentation and experience.
- They guide reasoned decisions based on facts and cause-and-effect relationships.

Step 1: Use a tested basis Principles of management provide managers with tested knowledge of how actions are likely to affect organisational work. Managers can study the relevant facts before choosing an action.

Step 2: Replace guesswork with reasoning Applying this knowledge makes a decision more objective and less dependent on intuition, personal bias or trial and error. The principle must still be adapted to the circumstances, since management principles are flexible guidelines.

Step 3: Conclusion Management principles help managers take scientific decisions by providing a factual, logical and tested basis instead of guesswork or personal judgement alone.

Quick Tip to Solve: For scientific decisions, link principles to facts, logical reasoning and reduced guesswork.

3. Beena, a student of management, likes to relate what she learnt in class to real life situations. She observed many situations while watching educational programmes on television that remind her of concepts of Scientific Management. In one such programme, factories manufacturing parts for products like automobiles, computers and mobile phones were being telecast.

Name the technique of Scientific Management that should be adhered to, while manufacturing parts for such products. [1 mark]

Solution:

Concept:

- Standardisation is a technique of scientific management that establishes standards for products and production.
- Uniform specifications for components help secure consistent quality and compatibility.

Step 1: Identify the manufacturing requirement The case describes 'factories manufacturing parts for products like automobiles, computers and mobile phones'. These products are assembled from components, so their parts need uniform dimensions, quality and performance to fit and function consistently in the final product.

Step 2: Name the relevant technique Standardisation establishes these specifications for materials, methods and output. It reduces unnecessary variations in production and makes the required parts uniform; simplification, in contrast, reduces unnecessary varieties of products.

Step 3: Conclusion The technique is standardisation, specifically standardisation of parts and products.

Quick Tip to Solve: Uniform component sizes and quality point to standardisation; fewer product varieties point to simplification.

4. Give the meaning of 'Laissez Faire' style of leadership. [1 mark]

Solution:

Concept:

- Laissez-faire is also called free-rein leadership.
- Subordinates enjoy considerable freedom in deciding how to carry out their work.

Step 1: State the freedom given Under this style the leader allows subordinates a high degree of independence to set their work goals and decide the methods of achieving them, within the overall organisational framework.

Step 2: Explain the role of the leader The leader acts mainly as a facilitator, providing information, resources and support when needed, while group members exercise self-direction. Thus, decisions are largely left to the subordinates rather than being imposed by the leader.

Step 3: Conclusion Laissez-faire leadership is a free-rein style in which the leader gives subordinates substantial freedom to make decisions and perform their work with minimal direct interference.

Quick Tip to Solve: Remember free rein: subordinates decide and the leader mainly supports.

5. Ravi, the Marketing Manager of Weaver Garments Ltd. does not allow the salesmen working under him to freely express their frank opinion and feelings regarding work related matters.

Identify the organizational barrier to communication that has been created by Ravi. [1 mark]

Solution:

Concept:

- Organisational policy can support or restrict the free flow of communication.
- A policy that discourages frank expression creates an organisational communication barrier.

Step 1: Locate the restriction Ravi 'does not allow the salesmen working under him to freely express their frank opinion and feelings'. This restriction prevents open upward communication and is evidence of a restrictive organisational policy.

Step 2: Identify the named barrier This is an unfavourable organisational policy: the approach adopted by management discourages employees from communicating openly. The case describes neither a language problem nor faulty technical vocabulary; it describes a restriction imposed on communication.

Step 3: Conclusion The organisational barrier is organisational policy, specifically a policy that does not support free and frank communication.

Quick Tip to Solve: When management discourages frank expression, identify organisational policy as the barrier.

6. What is meant by a 'Commercial Paper' ? [1 mark]

Solution:

Concept:

- Commercial paper is a short-term money-market instrument.
- It is an unsecured promissory note issued by large, creditworthy companies to raise funds.

Step 1: Identify the form of the instrument A commercial paper is a promise by the issuing company to repay a specified amount at maturity. It is unsecured, so no specific asset is pledged as collateral for the borrowing.

Step 2: State its use and term Large and creditworthy companies issue commercial paper to obtain short-term finance, for example to meet working-capital needs. It is a negotiable instrument, generally issued at a discount and redeemed at its face value, with maturity ranging from 15 days to one year.

Step 3: Conclusion Commercial paper is an unsecured, negotiable, short-term promissory note issued by large and creditworthy companies to raise short-term funds.

Quick Tip to Solve: For commercial paper remember company borrowing, unsecured promise and short maturity.

7. How does 'level of competition' affect the working capital requirement of an organization ? State.

[1 mark]

Solution:

Concept:

- Working capital finances day-to-day operations, including inventories and credit sales.
- Competitive conditions influence the service and credit terms a business must offer.

Step 1: Explain the effect of stronger competition When competition is intense, a business may need to maintain a larger stock to meet customer demand promptly and offer more liberal credit terms to attract or retain buyers.

Step 2: Link the effect to funds tied up Larger inventories and more credit sales tie up more money in current assets, increasing the working capital requirement. Where competition is limited and such facilities are less necessary, the firm can generally operate with a lower working capital requirement, other factors remaining the same.

Step 3: Conclusion A higher level of competition generally increases the working capital requirement because the firm may need larger inventories and more liberal credit to customers.

Quick Tip to Solve: Trace competition to extra stock and customer credit, then to more funds tied up in current assets.

8. Avik is the finance manager of Mars Ltd. In the current year the company earned high profit. However, Avik thinks that it is better to declare smaller dividend as he is unsure about the earning potential of the company in the coming years.

Avik's choice of dividend decision is based on which of the factor that affect it ? [1 mark]

Solution:

Concept:

- Dividend is the part of profit distributed to shareholders; the dividend decision considers both present earnings and the ability to sustain payments.
- Stability of earnings affects the dividend decision: a company with stable earnings can commit to higher dividends with greater confidence.

Step 1: Identify the relevant uncertainty Mars Ltd. has earned a high profit in the current year, but Avik is "unsure about the earning potential of the company in the coming years". His concern is therefore whether earnings will remain dependable over time.

Step 2: Connect it with dividend policy The factor is **stability of earnings**. Since future earnings are uncertain, a high dividend now may be difficult to maintain later. A smaller dividend is consequently preferred despite the present high profit.

Step 3: Conclusion Avik's dividend decision is based on **stability of earnings**.

Quick Tip to Solve: When a case contrasts high current profits with uncertain future profits, identify stability of earnings rather than simply the amount of present earnings.

9. After completing her studies in product design, Sarita wishes to start her own business to design products to cater to the mobility and communication requirements of persons with special needs.

She told her friend that she wanted to focus on supplying high quality products at affordable prices. The Unique Selling Proposition (U.S.P.) of the products would be sensitivity to the challenges and needs of the differently abled people.

She wants to employ only differently abled persons in her factory and sales offices across the country. This decision of Sarita provides the base for interpreting her strategy. This also defines the broad parameters within which the company may recruit the persons.

Sarita has also to decide about the exact manner and the chronological order of how the selection of the differently abled applicants will be done.

In the above lines, Sarita is discussing about one of the functions of management. This function has several types. Identify and explain the types Sarita is discussing in the above lines. [3 marks]

Solution:

Concept:

- Planning decides in advance what to do and how to do it. Different types of plans serve different purposes within this function.
- A strategy provides a comprehensive direction, a policy guides decisions within broad parameters, and a procedure specifies the sequence of activities.

Step 1: Identify the strategy **Strategy:** A strategy is a comprehensive plan for accomplishing organisational objectives. It includes determining long-term objectives, adopting a course of action and allocating necessary resources. Sarita's focus on "high quality products at affordable prices", with sensitivity to the needs of differently abled people as the U.S.P., gives the competitive direction of her proposed business.

Step 2: Explain the recruitment policy **Policy:** A policy is a general statement that guides thinking and decision-making. It defines broad parameters within which managers may act, rather than prescribing every individual decision. The decision to "employ only differently abled persons" in the factory and sales offices is Sarita's recruitment policy. Recruiters must make their choices within this boundary.

Step 3: Explain the selection procedure **Procedure:** A procedure lays down the routine steps by which an activity is carried out and the chronological order in which those steps are to be performed. Sarita's decision about "the exact manner and the chronological order" of selecting applicants is a selection procedure. It translates the broad recruitment policy into an orderly sequence of actions.

Step 4: Conclusion The three types of plans are **strategy, policy and procedure**; together they specify business direction, decision boundaries and the order of selection activities.

Quick Tip to Solve: Use the case clues: overall competitive direction means strategy, broad decision boundaries mean policy, and a chronological sequence means procedure.

10. State any three merits of external sources of recruitment. [3 marks]

Solution:

Concept:

- External recruitment means attracting applicants from outside the existing workforce to fill vacancies in an organisation.
- Its merits arise from access to a larger pool of applicants, fresh knowledge and a wider range of experience than may be available internally.

Step 1: Explain access to talent and choice **Qualified personnel:** External sources enable an organisation to attract qualified and trained people for vacant jobs. Through advertisements and other external channels it can specify the required qualifications and seek people whose education, skills and experience fit the work. This is useful when existing employees do not possess the special competence required.

Wider choice: Recruitment from outside provides a large number of potential candidates. Management can compare applicants with different qualifications and experience and select the person best suited to the job. Selection is therefore not restricted to the employees already working in the organisation.

Step 2: Explain the contribution of new people **Fresh talent:** New entrants bring fresh ideas, different experiences and new approaches to work. They can introduce improved methods and new ways of solving problems, helping the organisation adapt to changing requirements. Such new talent is particularly useful when growth or new technology requires capabilities beyond those currently available within the enterprise.

Step 3: Conclusion Three merits of external recruitment are **qualified personnel, wider choice and fresh talent**.

Quick Tip to Solve: Keep the merits distinct: qualified personnel concerns suitability, wider choice concerns the applicant pool, and fresh talent concerns new ideas and approaches.

11. Describe briefly the following methods of training :

(i) Apprenticeship Training; and

(ii) Internship Training. [3 marks]

Solution:

Concept:

- Training develops the knowledge and skills employees need to perform particular jobs effectively; practical experience is central to both these methods.
- Apprenticeship prepares learners for skilled trades under a master worker, while internship combines formal study with practical work in an organisation.

Step 1: Describe apprenticeship training **Apprenticeship training:** A trainee works under the guidance of a master worker for a prescribed period to acquire proficiency in a skilled job. This method involves learning through actual work, observation and supervised practice. The trainee

gradually learns the operations, tools, quality standards and safe methods of the trade instead of merely studying them in a classroom. It is used for occupations requiring a high level of skill, such as electricians and plumbers. The period of training depends on the skill requirements of the occupation.

Step 2: Describe internship training **Internship training:** This is a joint programme in which an educational institution and a business enterprise cooperate to provide training. Students continue their regular studies for a prescribed period and also work in a factory, office or other organisation to gain practical knowledge and skills. This links classroom learning with real work situations and familiarises students with workplace responsibilities. For example, a management student may work in a business organisation as part of the course, applying concepts studied in class to actual organisational tasks.

Step 3: Conclusion Apprenticeship builds skilled-trade proficiency under a master worker; internship integrates institutional education with practical training in an organisation.

Quick Tip to Solve: Remember the main distinction: apprenticeship centres on mastery of a skilled trade, while internship links a course of study with practical workplace experience.

12. Differentiate between Capital Market and Money Market on the basis of :

(i) Investment Outlay, (ii) Safety and (iii) Liquidity. [3 marks]

Solution:

Concept:

- Financial Markets: the capital market deals in medium- and long-term funds, whereas the money market deals in short-term funds with maturity up to one year.
- Investment outlay means the amount needed to invest; safety concerns the risk of loss, and liquidity means the ease of converting an investment into cash.

Step 1: Set up the comparison Compare typical instruments and transactions in each market on the three specified bases. Capital-market securities include shares and debentures; money-market instruments include Treasury bills and commercial paper. The following distinctions describe their usual characteristics rather than a guarantee about every individual security.

Step 2: Distinguish the two markets on each basis

Basis	Capital Market	Money Market
Investment outlay	Securities can be purchased in relatively small amounts. The value of units of securities is generally lower, making participation possible for small individual investors.	Transactions generally require a large investment outlay. Instruments are issued in large denominations and are mainly used by banks, financial institutions and large companies.
Safety	Investment is relatively riskier because returns and repayment are less certain over a longer period; prices may fluctuate substantially.	Investment is relatively safer because instruments have a short maturity and issuers generally have high financial standing. The risk of default is comparatively low.
Liquidity	Securities are generally less liquid than money-market instruments. Marketability depends on the availability of buyers and trading conditions.	Instruments are highly liquid, with arrangements for short-term deployment and ready conversion of funds into cash.

Step 3: Conclusion Thus, the capital market generally permits smaller investment outlays but involves relatively greater risk and lower liquidity. The money market generally requires large outlays and offers comparatively greater safety and liquidity.

Quick Tip to Solve: Use the requested bases as row headings: outlay compares investment size, safety compares risk, and liquidity compares conversion into cash.

13. Pinnacle Ltd. deals in the sale of stationery and office furniture. They source the finished products from reputed brands who give them four to six months credit. Seeing the demand for electronic items, they are also planning to market these items by opening outlets throughout India. For this, they have decided to join hands with a Japanese electronic goods manufacturer.

Identify and state any two factors that would affect fixed capital requirement of Pinnacle Ltd. as discussed above. [3 marks]

Solution:

Concept:

- Financial Management: fixed capital is the investment in long-term assets such as buildings, equipment and other facilities used repeatedly in business operations.
- Growth prospects and the level of collaboration affect the amount of fixed capital needed. Expansion creates a need for additional facilities, while collaboration can reduce the separate investment required by sharing facilities or resources.

Step 1: Identify growth prospects from the expansion plan **Growth prospects:** The case states that Pinnacle Ltd. plans to market electronic items by "opening outlets throughout India". A business with higher growth prospects generally requires a larger investment in fixed assets to meet its anticipated expansion. Establishing a nationwide network of outlets requires additional premises, furniture,

fixtures and related facilities. Therefore, Pinnacle's expansion plan tends to increase its fixed capital requirement compared with continuing its existing business at the present scale. This identification is based on the proposed expansion, rather than on the credit period for goods purchased.

Step 2: Identify the level of collaboration from the proposed partnership **Level of collaboration:** The statement that Pinnacle has decided to "join hands with a Japanese electronic goods manufacturer" points to collaboration. When firms collaborate and share facilities or other long-term resources, each firm's separate investment in fixed assets can be reduced. Thus, the extent to which the collaboration makes facilities available to Pinnacle will affect its fixed capital requirement and may reduce the investment it must undertake on its own. The case establishes collaboration but does not specify the precise facilities to be shared, so no particular asset or amount should be assumed.

Step 3: Conclusion The two factors are **growth prospects**, indicated by outlets planned throughout India, and **level of collaboration**, indicated by joining hands with the Japanese manufacturer. Expansion raises the need for fixed assets, while collaboration can reduce the separate investment required through shared facilities.

Quick Tip to Solve: Link "outlets throughout India" to growth prospects and "join hands" to collaboration. Supplier credit mainly concerns working capital, rather than investment in long-term assets.

14. Hema is one of the most successful managers of her company, 'Kobe Ltd.' She uses her creativity and initiative in handling challenging situations at work.

The knowledge gained by her during her student days at a renowned management institute as well as through her observation and experience over the years is applied by Hema in a skillful manner in the context of the realities of a given situation. She often reads books and other literature in various fields of management to keep her knowledge updated.

(i) An aspect of the nature of management is being highlighted in the above description. Identify the aspect.

(ii) Explain any three features of the aspect identified in part (i). [4 marks]

Solution:

Concept:

- Management as an art means the skilful and personal application of existing knowledge to achieve desired results in actual situations.
- An art has a theoretical body of knowledge, requires personalised application, and develops through practice and creativity. Management exhibits all these features.

Step 1: Identify the aspect illustrated by Hema The aspect is **management as an art**. Hema uses her "creativity and initiative" and applies knowledge in a "skillful manner" to the realities of a situation. These expressions emphasise how a manager uses knowledge in practice to solve problems and achieve results. Merely possessing management knowledge is insufficient; its effective application makes her successful.

Step 2: Explain the three features of management as an art

- **Existence of theoretical knowledge:** Every art presupposes basic principles and knowledge that

an expert can acquire through study. Management has a body of knowledge developed by thinkers and practitioners. Hema acquired it at a renowned management institute and continues reading management books and literature to update it.

- **Personalised application:** Different people apply the same knowledge in their own ways according to their understanding, skills and circumstances. No single mechanical method fits every managerial problem. Hema uses the knowledge acquired through study, observation and experience skilfully in the context of each actual situation.
- **Based on practice and creativity:** An artist improves through regular practice and uses creativity to produce effective results. Similarly, managerial competence develops through experience and the creative application of principles. Hema's experience over the years, together with her creativity and initiative in challenging situations, illustrates this feature.

Step 3: Conclusion Hema illustrates **management as an art**: it rests on theoretical knowledge, involves personalised application, and improves through practice and creativity.

Quick Tip to Solve: Link "knowledge" to theory, "skillful application" to personalisation, and "experience and creativity" to practice-based artistry.

15. State any four advantages of formal organization. [4 marks]

Solution:

Concept:

- Formal organisation is the structure of authority and responsibility deliberately created by management to achieve organisational objectives.
- It specifies jobs, reporting relationships and rules of conduct. These clearly defined relationships coordinate employees' efforts and make responsibility identifiable.

Step 1: Relate the advantages to a deliberately designed structure In a formal organisation, management defines what each employee must do, the authority available for that work, and the superior to whom the employee reports. Its advantages arise from this clarity and from the systematic coordination of individual jobs. Any four advantages are stated below.

Step 2: State four advantages of formal organisation

- **Easy fixation of responsibility:** Since duties, authority and reporting relationships are clearly specified, it is easier to identify who is responsible for a task and its results. An employee cannot readily shift responsibility for an assigned duty to someone else.
- **Avoidance of duplication of effort:** The duties of each member and department are clearly defined. Employees know their respective areas of work, reducing unnecessary overlap and duplication. This helps avoid wasted effort and promotes economical use of resources.
- **Maintenance of unity of command:** A formal organisation establishes a chain of command and makes superior-subordinate relationships clear. Each employee knows whose instructions to follow and to whom to report, reducing confusion caused by conflicting directions.
- **Achievement of organisational goals:** The framework of jobs and relationships brings individual efforts together. By assigning and coordinating the work necessary for the enterprise, the formal

structure directs employees' activities towards common organisational objectives.

Step 3: Conclusion Four advantages are easy fixation of responsibility, avoidance of duplication of effort, maintenance of unity of command, and achievement of organisational goals through coordinated work.

Quick Tip to Solve: For formal organisation, connect clearly defined jobs and reporting relationships with responsibility, no duplication, one superior and common goals.

16. The last step in the process of controlling is 'taking corrective actions'. Briefly explain the steps in chronological order that are taken in the process of controlling before this step. [4 marks]

Solution:

Concept:

- Controlling means ensuring that actual performance conforms to planned performance. It begins with standards and uses feedback to locate deviations.
- Taking corrective action is the final step. Before it, a manager must establish the desired performance, measure actual results, compare the two and analyse significant deviations in that chronological order.

Step 1: Set performance standards **Setting performance standards:** Standards are the criteria against which actual performance is measured. They should be clear, measurable and achievable. They may be quantitative, such as a production or cost target, or qualitative, such as the desired improvement in employee motivation. These standards state what satisfactory performance means and provide the starting point for control.

Step 2: Measure actual performance **Measurement of actual performance:** Assess the work actually accomplished using suitable methods such as personal observation, sample checking, performance reports and accounting information. Measurement should be reliable and, where possible, expressed in the same terms as the standards. It may be undertaken at regular intervals or while the work is being performed so that deviations can be detected in time.

Step 3: Compare actual performance with standards **Comparing actual performance with standards:** Compare the measured results with the predetermined standards to identify the size and direction of deviations. This reveals whether performance is equal to, below or above the expected level. A meaningful comparison requires the actual result and the standard to relate to the same activity and period.

Step 4: Analyse deviations **Analysing deviations:** Determine which deviations are significant and find their causes. Through critical point control, attention is directed to key result areas; through management by exception, deviations beyond the permissible range receive priority. Investigating whether the cause is an unrealistic standard, inadequate resources or inefficient performance helps the manager choose appropriate corrective action next.

Step 5: Conclusion The four preceding steps are setting performance standards, measuring actual performance, comparing actual performance with standards and analysing deviations. Only after this analysis does the manager take corrective action.

Quick Tip to Solve: Remember the sequence as Set, Measure, Compare, Analyse; corrective action follows once the cause of a significant deviation is known.

17. Sadaf is the Chief Executive Officer of a reputed company. She introduced appropriate skill development programmes and a sound promotion policy for the employees of her company. To motivate and retain the best talent in the company, she designed the jobs of the managers to include greater variety of work content. Identify and explain the two incentives introduced by Sadaf to motivate the employees of her company. [4 marks]

Solution:

Concept:

- Non-financial incentives satisfy employees' psychological, social and emotional needs rather than motivating them through direct monetary payments alone.
- Career advancement opportunities meet the need for growth, while job enrichment makes the work itself more challenging and satisfying. Both help an organisation motivate and retain capable employees.

Step 1: Identify and explain career advancement opportunities **Career advancement opportunities:** The case states that Sadaf introduced "appropriate skill development programmes and a sound promotion policy". These measures give employees opportunities to develop their abilities and progress to higher positions. Training equips them with the competence needed for advancement, while a sound promotion policy gives them a credible prospect of career growth. Knowing that good performance and improved capability can lead to advancement encourages employees to work towards organisational objectives. It also helps retain talented employees because they can see a future for themselves within the company rather than having to leave to grow.

Step 2: Identify and explain job enrichment **Job enrichment:** Sadaf "designed the jobs of the managers to include greater variety of work content". This is the case clue for job enrichment: designing jobs to contain more varied and challenging work so that the work itself becomes a source of motivation. Enriched jobs may provide greater scope to use skills, exercise responsibility and autonomy, and obtain feedback on performance. Instead of treating a job merely as a repetitive set of routine duties, enrichment gives employees opportunities for meaningful achievement and personal growth. In this case, the greater variety in managers' work content makes their jobs more interesting and satisfying, supporting motivation and retention.

Step 3: Conclusion The two incentives are **career advancement opportunities**, shown by skill development and the promotion policy, and **job enrichment**, shown by greater variety in managers' work content. Both are non-financial incentives.

Quick Tip to Solve: Match each incentive to a case clue: training plus promotion indicates career advancement; greater variety and challenge in the job indicates job enrichment.

18. Mr. Murthy is the Human Resource Manager of Jai Hind Hospital in Vellore. He has to appoint nurses for the hospital. Since patients in the hospital are of different types, he wants to find out the candidates' maturity and emotions in dealing with the patients. He also wants to know about the candidates' ability to make decisions.

Explain two types of tests that Mr. Murthy can use to meet his requirements. [4 marks]

Solution:

Concept:

- Selection tests assess particular attributes of applicants so that the employer can judge their suitability for a job. The test must measure the quality the job actually requires.
- Personality tests reveal qualities such as maturity, emotions and reactions, whereas intelligence tests assess learning, reasoning, judgement and decision-making ability.

Step 1: Use personality tests to assess emotional maturity **Personality tests:** These tests provide clues about a person's emotions, reactions, maturity and value system. They help to assess the applicant's overall personality and likely behaviour in different situations. In the case, Mr. Murthy wants to know the candidates' "maturity and emotions in dealing with the patients". A personality test therefore meets this requirement. Nurses deal with different kinds of patients, so their emotional responses and maturity are relevant to whether they can deal appropriately with people under their care. Personality tests are complex to design and implement and should be conducted and interpreted by experts.

Step 2: Use intelligence tests to assess decision-making ability **Intelligence tests:** These tests measure the level of an individual's intelligence quotient and indicate the person's ability to learn, make decisions and exercise judgement. They assess mental ability rather than merely the applicant's knowledge of a particular routine. The case states that Mr. Murthy also wants to know the candidates' "ability to make decisions". Intelligence tests address this requirement by examining reasoning and judgement. They are distinct from aptitude tests, which indicate a person's potential for learning new skills, and trade tests, which measure existing professional knowledge or proficiency.

Step 3: Conclusion Mr. Murthy should use **personality tests** to assess maturity and emotions and **intelligence tests** to assess decision-making ability. Together, these tests address the two specific selection requirements stated in the case.

Quick Tip to Solve: Match the case words to the test: emotions and maturity indicate personality tests; judgement and decision-making indicate intelligence tests.

19. Sindhu Ayurved Ltd., a new and leading manufacturer of herbal and ayurvedic medicines and grocery products has captured a large share of the market in a short span of time. The Research and Development (R & D) department of the company spends considerable time and effort in developing eco-friendly, chemical-free and healthy alternatives for a variety of products of daily use, like toothpaste, biscuits, noodles, soaps, shampoos and detergents etc. Their business orientation differs from competitors who are short sighted and serve only consumer's needs. Instead Sindhu Ayurved Ltd. considers larger issues of long term social welfare, paying attention to social, ethical and ecological aspects of marketing.

(i) Identify and explain the marketing management philosophy adopted by Sindhu Ayurved Ltd.

(ii) State any two values that are being promoted by the company. [4 marks]

Solution:

Concept:

- The societal marketing concept requires a business to satisfy the needs of its target market more effectively and efficiently than competitors while preserving or enhancing the long-term well-being of consumers and society.
- Societal marketing extends the marketing concept beyond immediate consumer satisfaction by incorporating social, ethical and ecological concerns into business decisions.

Step 1: Identify and explain the marketing philosophy **(i) Societal marketing concept:** Sindhu Ayurved Ltd. adopts the societal marketing philosophy. Its objective is to identify and satisfy consumer needs while protecting the long-term interests of consumers and society. Under this approach, a firm balances customer satisfaction, its own business objectives and social welfare. Immediate customer demand alone does not justify a product or practice that harms people or the environment over time. The decisive evidence is that the company considers "larger issues of long term social welfare" and pays attention to "social, ethical and ecological aspects of marketing". Its research into eco-friendly and healthy alternatives supports this orientation. The ordinary marketing concept focuses on satisfying customer needs; the additional concern for society's long-term well-being makes this the societal marketing concept.

Step 2: State two values supported by the case **(ii) Protection of the environment:** The company promotes environmental responsibility by spending time and effort developing "eco-friendly" alternatives. Attention to the ecological effects of products shows concern for conserving the environment rather than considering sales alone.

Concern for consumer health and well-being: The company promotes the health and welfare of consumers by developing "chemical-free and healthy alternatives" for daily-use products. Its emphasis on long-term social welfare reflects responsibility towards people who use its products. These values follow directly from the activities described in the case, rather than from unmentioned charitable or employment practices.

Step 3: Conclusion Sindhu Ayurved Ltd. follows the **societal marketing concept**. Two values promoted are **environmental protection** and **concern for consumer health and well-being**, as shown by its eco-friendly and healthy product development.

Quick Tip to Solve: When a case adds long-term social, ethical and ecological welfare to customer satisfaction, identify societal marketing; support each value with a phrase from the case.

20. State any five features of Business Environment. [5 marks]

Solution:

Concept:

- Business environment means the sum total of individuals, institutions and other forces outside the control of a business enterprise that may affect its performance.
- Its features describe the nature of these external forces and their relationships. They are different from the importance or benefits of studying the environment.

Step 1: State the features concerning external forces **1. Totality of external forces:** Business environment is the aggregate of all factors outside a business enterprise that influence its functioning. No single outside influence alone constitutes the whole environment; their combined effect must be considered.

2. Specific and general forces: It includes both specific forces and general forces. Specific forces, such as customers, suppliers, investors and competitors, affect individual enterprises directly in their day-to-day working. General forces, such as social, political, legal, technological and economic conditions, affect business enterprises more broadly and indirectly.

Step 2: State the features concerning relationships and change **3. Interrelatedness:** Different elements of the environment are closely related. A change in one element can influence others. For example, greater health awareness, a social change, can increase demand for healthier food and create new market opportunities.

4. Dynamic nature: The business environment keeps changing. Changes in consumer preferences, technology, competition and government policy mean that conditions faced by a business do not remain fixed over time.

5. Uncertainty: Future environmental changes cannot always be predicted accurately, especially when changes occur frequently. For instance, the timing and effect of a new technological development may be difficult to forecast, so managers must remain alert and adaptable.

Step 3: Conclusion Five features of business environment are totality of external forces, specific and general forces, interrelatedness, dynamic nature and uncertainty. Together they explain why a business must study external conditions continuously rather than treat them as fixed and isolated influences.

Quick Tip to Solve: For a features question, name and explain the nature of the environment; do not substitute benefits such as identifying opportunities or improving performance.

21. Apaar Foundation is a Non Governmental Organization (NGO) working to improve the lives of children with medical needs, the homeless and victims of natural disasters. Apart from donations in cash, they collect dry ration, old clothes, shoes, toys, books and medicines from donors. At Apaar Foundation's office in Bhopal the material collected is segregated, classified and put in shelves and boxes that are labelled systematically. There is a specific place for each of these items and volunteers put everything at their respective places.

The volunteer work is divided into specific jobs like fund raising, field visits, social media updates and so on. Each volunteer is part of a particular team, depending on their competency and training. Each volunteer becomes specialized in their respective field, leading to efficient utilization of human effort.

(i) Identify and explain two principles of management adopted by Apaar Foundation.

(ii) State two values that Apaar Foundation is displaying and promoting in society through their work. [5 marks]

Solution:

Concept:

- Fayol's principles of order and division of work guide the systematic arrangement of resources and the specialisation of tasks, respectively. They apply to organisations such as an NGO as well as to business enterprises.
- Values are the ethical and social concerns reflected in the organisation's conduct. The values in this case must be linked to Apaar Foundation's work for people in need.

Step 1: Identify and explain the principle of order **Order:** Fayol's principle means that there should be a place for everything and everyone, and everything and everyone should be in their appointed place. Materials should be arranged systematically so that they can be found and used without unnecessary delay.

The case states that the material is "segregated, classified and put in shelves and boxes that are labelled systematically" and that there is "a specific place for each of these items". Volunteers returning items to their respective places demonstrate material order. This arrangement prevents confusion and avoids wasting effort in searching for donated supplies.

Step 2: Identify and explain the principle of division of work **Division of work:** Work should be divided into specialised tasks and assigned to people according to their competence. Repeated performance of a particular task develops skill and specialisation, increasing efficiency and the quality of work.

The case states that volunteer work is divided into "fund raising, field visits, social media updates and so on". Each volunteer joins a team according to "their competency and training" and becomes specialised in the assigned field. These details directly show division of work and its benefit of efficient utilisation of human effort.

Step 3: State two values reflected in the foundation's work **Compassion and concern for the disadvantaged:** The foundation works to improve the lives of children with medical needs and homeless people. Its collection of food, clothing, medicines and other necessities shows sensitivity towards vulnerable people and their basic needs.

Social responsibility and service to humanity: By assisting victims of natural disasters and organising voluntary contributions, the foundation accepts responsibility for community welfare. Its work

promotes willingness to help others and contribute resources and effort for the common good.

Step 4: Conclusion (i) The two management principles are **order** and **division of work**. (ii) Two values are **compassion towards the disadvantaged** and **social responsibility through service to humanity**. The systematic storage and specialised teams establish the principles, while assistance to vulnerable people establishes the values.

Quick Tip to Solve: Match "a specific place" with order and "specialised jobs" with division of work; then support the values with the beneficiaries and welfare activities named in the case.

22. Shyam bought a pain relieving ointment after seeing it being displayed in the chemist's shop. The ointment tube was packed in a cardboard box. Identify the different levels of packaging of the pain relieving medicine, when it was purchased by Shyam. Also state the functions of packaging. [5 marks]

Solution:

Concept:

- Packaging means designing and developing the container or wrapper of a product. Its levels are distinguished by their relation to the product: the immediate container, the additional protective package, and the package used for storage and transportation.
- Packaging performs the marketing functions of product identification, product protection, facilitating use and product promotion. A package therefore does more than merely hold the goods.

Step 1: Identify the two packaging levels in the case **Primary packaging:** The ointment tube is the primary package because it is the immediate container holding the pain relieving medicine. It remains with the ointment until the medicine is used up and enables the user to take out the required quantity.

Secondary packaging: The cardboard box is the secondary package because it is the additional outer layer around the tube. It provides further protection and can be discarded when the tube is taken out for use. The words "tube was packed in a cardboard box" distinguish the immediate container from its outer package. No transportation package is described in Shyam's purchase.

Step 2: State the functions of packaging **Product identification:** The package helps a buyer recognise the product and distinguish it from competing products through its name, design, colour and other identifying features. This is useful when similar medicines are displayed together.

Product protection: Packaging protects the product from damage, deterioration, pilferage and contamination during handling, storage and transportation. The immediate container also keeps the contents safely enclosed until use.

Facilitating use: The shape, size and construction of a package make a product convenient to handle, store and use. Here, a tube allows the ointment to be dispensed in small quantities without exposing all its contents at once.

Product promotion: Attractive and distinctive packaging draws customers' attention at the point of purchase and helps stimulate sales. Shyam bought the ointment after seeing it displayed in the chemist's shop, illustrating the relevance of the product's presentation to a purchase decision.

Step 3: Conclusion The ointment tube is primary packaging and the cardboard box is secondary packaging. Packaging identifies and protects the product, makes its use convenient and helps promote

it at the point of purchase.

Quick Tip to Solve: Ask which container directly holds the product and which surrounds that container: these are primary and secondary packaging respectively. State packaging functions separately from its levels.

23. Explain any four differences between "Delegation" and 'Decentralisation', specifying the bases of difference. [6 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out assigned duties. It establishes the authority relationship needed for work, while the superior retains ultimate accountability.
- Decentralisation is the systematic delegation of authority throughout the organisation, especially to lower levels. It expresses a policy of dispersing decision-making authority rather than concentrating it at the top.

Step 1: Distinguish their nature and necessity The following comparison specifies the basis for each difference. Delegation concerns a particular superior-subordinate relationship, whereas decentralisation concerns the extent to which authority is dispersed across the organisation.

Basis	Delegation	Decentralisation
Nature	It is a compulsory act: a manager must share authority with subordinates to get assigned work performed through them.	It is an optional policy decision: top management chooses how far decision-making authority should be dispersed.
Freedom of action	Subordinates receive comparatively less freedom because their authority is limited to the specific duties and powers delegated by their superior.	Lower-level managers receive comparatively greater freedom to take decisions within their areas of responsibility.

Thus, a manager cannot perform all organisational work personally and must delegate. However, the organisation can still retain major decisions at the top instead of adopting extensive decentralisation. The freedom in either arrangement remains subject to the authority actually granted.

Step 2: Distinguish their scope and purpose

Basis	Delegation	Decentralisation
Scope	Its scope is narrow because it describes the sharing of authority between a superior and the subordinate concerned.	Its scope is wide because it involves the systematic extension of delegation to the lower levels of the organisation.
Purpose	Its main purpose is to reduce the manager's workload by enabling subordinates to perform assigned tasks and make the related decisions.	Its main purpose is to increase the role of subordinates in organisational decision making by giving them greater autonomy.

Decentralisation therefore builds on delegation but extends beyond an individual assignment. It makes participation in decisions a feature of the organisation's management policy. Neither arrangement means that the superior can escape ultimate accountability for the authority entrusted to subordinates.

Step 3: Conclusion Delegation and decentralisation differ in nature, freedom of action, scope and purpose. Delegation enables a superior to share specific work and authority; decentralisation

systematically extends such authority across lower levels and enlarges their role in decision making.

Quick Tip to Solve: Write the basis in the first column and compare both concepts on that same basis. Remember that decentralisation is the systematic extension of delegation throughout the organisation.

24. Sudha is an enterprising business woman who has been running a poultry farm for the past ten years. She has saved ₹ Four Lakhs from her business. She shared with her family her desire to utilize this money to expand her business. Her family members gave her different suggestions like buying new machinery to replace the existing one, acquiring altogether new equipments with latest technology opening a new branch of the poultry farm in another city and so on.

Since these decisions are crucial for her business, involve huge amount of money and are irreversible except at a huge cost, Sudha wants to analyse all aspects of the decisions, before taking any final decision.

(i) Identify and explain the financial decision to be taken by Sudha.

(ii) Also, explain briefly the factors that will affect this decision. [6 marks]

Solution:

Concept:

- An investment decision concerns the allocation of a firm's funds among different assets and investment proposals. Investment in fixed assets for long-term use is a capital budgeting decision.
- Capital budgeting determines the future earning capacity of a business. Such decisions commit substantial funds, affect operations for a long period and are difficult to reverse without considerable cost.

Step 1: Identify Sudha's financial decision Sudha must take a **long-term investment decision, also called a capital budgeting decision**. She has to choose how to invest her savings of Rs 4,00,000 in fixed assets or expansion projects. Replacing existing machinery, buying equipment with the latest technology and opening another poultry-farm branch are alternative long-term investment proposals. The case expressly says that these decisions "involve huge amount of money" and "are irreversible except at a huge cost". These features identify capital budgeting. The issue is the use of funds in assets, rather than the financing decision of choosing between borrowed funds and owners' funds, or the dividend decision of distributing profits.

Step 2: Examine the cash flows of each project **Cash flows of the project:** Each investment requires an initial cash outflow and is expected to generate cash inflows over its life. Sudha should carefully estimate both the amount and timing of these flows for each proposal. For example, the cost of acquiring machinery must be compared with the additional cash inflows or operating savings it is expected to provide. Estimates should cover the relevant life of the project, rather than merely its first year's receipts.

Step 3: Compare the expected rates of return **Rate of return:** Sudha should assess the return expected from each investment proposal in relation to its investment and risk. Other things remaining the same, a proposal offering a higher rate of return is preferable. A project must earn an adequate return to justify committing the funds; a large sales figure alone does not establish that it is a sound

investment.

Step 4: Apply appropriate investment criteria **Investment criteria involved:** Capital budgeting techniques help evaluate proposals systematically. The amount of investment, the interest rate, the cash flows and the rate of return must be considered when applying the chosen evaluation technique. Sudha should use consistent criteria to compare the alternatives and select the financially worthwhile proposal, instead of choosing solely because a family member favours it.

Step 5: Conclusion Sudha's decision is a capital budgeting decision involving the allocation of funds to long-term assets. The cash flows of each project, its expected rate of return and the investment criteria used to evaluate it are the three main factors affecting this choice.

Quick Tip to Solve: When a case mentions fixed assets, large commitments and costly reversal, identify capital budgeting; then explain cash flows, rate of return and investment criteria.

25. State any two reliefs that the Consumer court can grant to consumers in case of genuine complaints in each of the following situations :

(i) Divya was charged more than the printed maximum retail price (MRP) for a bottle of water.

(ii) Clara was sold a car with a defective engine.

(iii) Antony suffered injury while using newly bought defective electric heater. [6 marks]

Solution:

Concept:

- Under the consumer-protection framework applicable to this paper, a consumer court can order appropriate relief for a genuine complaint concerning defective goods, deficient services or an unfair trade practice.
- Relief may include removing a defect, replacing defective goods, refunding the price, compensating loss or injury and discontinuing an unfair or restrictive trade practice. The remedy must address the particular wrong suffered by the consumer.

Step 1: State two reliefs for Divya's overcharging complaint Divya was charged more than the printed maximum retail price for bottled water. The following two reliefs address this overcharging:

- **Refund the excess amount:** The court can direct the seller to return the amount collected above the printed MRP. This restores the money unlawfully taken from Divya.
- **Discontinue the unfair trade practice:** The court can order the seller to stop charging above the printed MRP and not repeat this practice. This prevents the same wrong from continuing against Divya or other consumers.

Step 2: State two reliefs for Clara's defective car Clara's complaint concerns a car sold with a defective engine. The court may grant either of the following appropriate remedies according to the circumstances:

- **Remove the defect:** The seller or manufacturer can be directed to rectify the engine defect so that the car works properly, without making Clara bear the cost of correcting the original defect.
- **Replace the defective goods:** The court can direct replacement of the defective car with a new

car free from a similar defect. This supplies the sound product that Clara was entitled to receive.

Step 3: State two reliefs for Antony's injury Antony suffered injury while using a newly purchased defective electric heater. His remedies must address both the personal injury and the defective purchase:

- **Compensate the injury or loss:** The court can award reasonable compensation for injury or loss suffered because of the defective heater, including the resulting medical expense and other proven loss attributable to the defect.
- **Refund the price:** The court can order repayment of the amount Antony paid for the defective heater. Returning the purchase price addresses the defective transaction, while compensation separately addresses the injury caused by it.

Step 4: Conclusion Divya can receive a refund of the excess price and an order stopping the unfair practice; Clara can obtain removal of the engine defect or replacement with defect-free goods; Antony can obtain compensation for his injury and a refund of the heater's price. These are two relevant reliefs for each stated situation.

Quick Tip to Solve: Match remedies to the harm: overcharging calls for return of the excess and stopping the practice; defects call for repair or replacement; injury calls for compensation as well as a product remedy.