# CBSE Class 12 Business Studies Question Paper 2017 with Solution PDF-Set 66/1/2 - 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. 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:**

- Scientific management replaces arbitrary production methods with scientifically determined standards.
- Standardisation fixes specifications for materials, machines, methods and products so that output is uniform.

**Step 1:** Identify the production requirement The programme shows factories **'manufacturing parts for products like automobiles, computers and mobile phones'**. Such parts must have consistent dimensions and quality so that they fit correctly into the finished product.

**Step 2:** Name the appropriate technique **Standardisation of work** establishes common specifications for these parts. It reduces unwanted variation and makes components interchangeable; simplification, by contrast, eliminates unnecessary varieties of products.

**Step 3:** Conclusion The technique is **standardisation of work**.

**Quick Tip to Solve:** For component manufacturing, look for uniform specifications and interchangeability: these indicate standardisation.

**2. How do principles of management help managers in fulfilling social responsibility ? State.** [1 mark]

**Solution:**

**Concept:**

- Management principles guide managers towards effective decisions while recognising obligations to society.
- Social responsibility requires attention to the interests of employees, consumers and the wider community.

**Step 1:** Identify the social obligation A business uses resources supplied by society and affects people through its decisions. Its managers must therefore consider social interests along with the economic objectives of the enterprise.

**Step 2:** Link principles to responsible conduct Principles provide guidelines for responsible behaviour. For example, equity supports fair treatment of employees, while fair remuneration protects their interests. Applying such principles helps managers meet their responsibilities towards stakeholders.

**Step 3:** Conclusion Management principles help managers fulfil social responsibility by guiding them to act fairly and consider the interests of society in their decisions.

**Quick Tip to Solve:** Connect a management principle such as equity or fair remuneration with the stakeholder whose interests it protects.

**3. 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 is based on assumptions about the future conditions in which a plan will operate.
- Developing premises establishes these assumptions using forecasts and other relevant information.

**Step 1:** Locate the clue about future conditions Vivek attends expert seminars because he wants to **'use these forecasts to reduce the uncertainty in making decisions for the future'**. The forecasts concern the future impact of the Goods and Services Tax Act on business conditions.

**Step 2:** Identify the planning step Using these forecasts to form assumptions about the future business environment is **developing premises**. The assumptions provide a common basis for preparing plans; he is not yet selecting a course of action or implementing a plan.

**Step 3:** Conclusion The step is **developing premises**.

**Quick Tip to Solve:** When a case stresses forecasts and assumptions about future conditions, identify developing premises rather than setting objectives.

**4. Give the meaning of 'Democratic style' of Leadership.** [1 mark]

**Solution:**

**Concept:**

- Leadership is the process of influencing people so that they willingly work towards organisational objectives.
- A democratic or participative leader involves subordinates in the decision-making process.

**Step 1:** Identify participation in decisions Under democratic leadership, the leader consults subordinates, invites their suggestions and encourages discussion before making decisions. Communication moves both from the leader to employees and from employees to the leader.

**Step 2:** Explain the leader's role The leader uses the group's ideas and takes decisions with their participation. Employees therefore have a voice in matters affecting their work, while the leader continues to guide and coordinate their efforts towards the organisation's goals.

**Step 3:** Conclusion **Democratic leadership** is a style in which the leader takes decisions in consultation with subordinates and encourages their participation.

**Quick Tip to Solve:** Remember democratic as participative: consultation and employee involvement are the defining features.

**5. 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:**

- A dividend decision determines how much profit is distributed to shareholders and how much is retained.
- Stability of dividends means avoiding increases in dividend per share that the company cannot sustain in future years.

**Step 1:** Identify the concern in the case Although Mars Ltd. earned high profit this year, Avik is **'unsure about the earning potential of the company in the coming years'**. He therefore does not want the current high profit to lead to a dividend increase that may later have to be reversed.

**Step 2:** Name the relevant dividend factor The factor is **stability of dividends**. Companies generally raise dividend per share only when the higher earnings potential is expected to continue. A smaller sustainable dividend helps maintain a stable dividend policy despite a particularly profitable year.

**Step 3:** Conclusion Avik's decision is based on **stability of dividends**: he wishes to declare a dividend that can be maintained in future.

**Quick Tip to Solve:** A high current profit does not justify a permanent dividend increase unless the higher earning potential is expected to continue.

**6. 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 and is tied up in current assets such as inventory and receivables.
- Competitive pressure can require a business to maintain larger stocks and offer more liberal credit terms.

**Step 1:** Trace the effect on sales policy When competition is intense, an organisation may have to allow customers a longer credit period to retain their business. More funds then remain tied up in debtors until the customers pay.

**Step 2:** Trace the effect on inventory The organisation may also need larger inventories so that orders can be met promptly and customers do not move to competitors. Higher inventory and receivables increase the amount of funds needed for daily operations.

**Step 3:** Conclusion A higher level of competition generally **increases working capital requirements**, as the firm may need larger inventories and more liberal credit terms.

**Quick Tip to Solve:** Link competition to credit and stock: both can tie up additional funds and raise working capital needs.

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

**Solution:**

**Concept:**

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

**Step 1:** Identify the form of the instrument A commercial paper is a written promise by its issuer to pay a specified amount at maturity. It is **unsecured**, so no particular asset is pledged as security; the issuer's creditworthiness supports the instrument.

**Step 2:** State its financing purpose Large and creditworthy companies issue commercial paper to obtain short-term funds, commonly for working capital and other short-term needs. It is negotiable and transferable by endorsement and delivery, and is ordinarily issued at a discount and redeemed at face value.

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

**Quick Tip to Solve:** Define commercial paper with three anchors: unsecured promissory note, short-term finance, and a creditworthy corporate issuer.

**8. 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 barriers arise from the policies, rules, structure or practices of an organisation which restrict communication.
- An organisational policy which does not encourage free expression prevents employees from communicating their views openly.

**Step 1:** Identify the restriction in the case Ravi does not allow salesmen to "freely express their frank opinion and feelings regarding work related matters". The restriction is imposed on the way employees are allowed to communicate at work.

**Step 2:** Name the organisational barrier The barrier is **organisational policy**. A policy or practice that does not support the free flow of communication prevents subordinates from expressing their ideas and feelings. Ravi's restrictive practice creates precisely this barrier.

**Step 3:** Conclusion The organisational barrier created by Ravi is **organisational policy**, because his practice discourages open expression of work-related views.

**Quick Tip to Solve:** Link restrictions on employees' free expression to organisational policy; the key is the practice governing communication.

**9. 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:**

- Fixed capital is the investment in long-term assets such as land, buildings, plant and equipment. The size and future plans of a business affect how much of this investment it needs.
- Growth prospects can increase fixed capital requirements, while collaboration may reduce the investment an individual enterprise must make by allowing facilities and resources to be shared.

**Step 1:** Identify and state the effect of growth prospects **Growth prospects:** Pinnacle Ltd. is "planning to market these items by opening outlets throughout India". A business with higher growth prospects needs more fixed capital to expand its capacity and establish additional facilities. The proposed nationwide outlets would require investment in premises, fittings and other long-term assets. Hence expansion into electronic goods and the larger distribution network tend to increase Pinnacle Ltd.'s fixed capital requirement.

**Step 2:** Identify and state the effect of collaboration **Level of collaboration:** The company has "decided to join hands with a Japanese electronic goods manufacturer". Collaboration enables firms to share facilities or use another enterprise's resources instead of each firm creating all facilities independently. To the extent that this arrangement allows such sharing, Pinnacle Ltd. will require less fixed capital than it would need to establish the same facilities on its own. This factor concerns investment in long-term assets; the supplier credit mentioned in the case concerns financing of current operations instead.

**Step 3:** Conclusion Two relevant factors are **growth prospects**, which raise the need for fixed assets as outlets expand, and **level of collaboration**, which can reduce the company's own fixed investment through sharing of facilities.

**Quick Tip to Solve:** For fixed capital, connect expansion to long-term assets and collaboration to shared facilities; supplier credit mainly concerns working capital.

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

**Solution:**

**Concept:**

- Internal recruitment fills vacancies from the organisation's existing employees, principally through transfers and promotions.
- It uses employees whose abilities and work records are already known, while opportunities for advancement can encourage employees to improve their performance.

**Step 1:** Explain the motivational merit **Improves motivation and morale:** Promotion provides employees with an opportunity to progress to higher positions. When employees see that better performance can lead to advancement within the organisation, they are encouraged to work harder and improve their capabilities. Recognition of existing employees also strengthens their loyalty to the enterprise.

**Step 2:** Explain how internal recruitment simplifies selection **Simplifies the selection process:** The organisation already has information about the employees' performance, experience, strengths and limitations. It can assess their suitability for a vacancy using this record, rather than relying entirely on the claims of unfamiliar candidates. This makes selection easier and generally more reliable, although suitability for the new job still needs to be assessed.

**Step 3:** Explain the economy in recruitment **Economical source:** Filling a vacancy from within avoids much of the expenditure involved in attracting and screening outside applicants. The organisation need not undertake an extensive external recruitment exercise for that position. Existing employees are also familiar with its rules and working environment, so the need for induction into the organisation is reduced.

**Step 4:** Conclusion Three merits of internal recruitment are **improved employee motivation**, a **simpler and more reliable selection process**, and **economy in recruitment costs**.

**Quick Tip to Solve:** Remember internal recruitment through three links: promotion motivates, known performance simplifies selection, and fewer external searches save cost.

**11. 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 is to be done and how it is to be done. Different types of plans guide decisions at different levels of detail.
- A strategy gives the broad direction and approach, a policy supplies general guidelines for decisions, and a procedure lays down a sequence of activities for carrying out work.

**Step 1:** Identify and explain the strategy **Strategy:** Sarita wishes to supply "high quality products

at affordable prices", with sensitivity to the needs of differently abled people as the unique selling proposition. A strategy is a comprehensive plan for achieving the organisation's objectives. It provides the broad direction, including the course of action and allocation of resources, in relation to the business environment. Her proposed quality, price and customer focus set out the broad approach by which her enterprise will compete and serve its chosen customers.

**Step 2:** Identify and explain the policy **Policy:** She wants to "employ only differently abled persons" in her factory and sales offices. A policy is a general statement that guides thinking and channels decisions towards objectives. This employment guideline sets the broad parameters within which recruitment decisions must be taken and provides a basis for interpreting her strategy. It guides recurring decisions without specifying every individual action.

**Step 3:** Identify and explain the procedure **Procedure:** She must decide the "exact manner and the chronological order" of selecting applicants. A procedure specifies the routine steps to be followed, in their prescribed sequence, to perform an activity. The selection procedure will state how the process is to proceed from one stage to the next, ensuring that selection is carried out consistently within the employment policy.

**Step 4:** Conclusion The types of plans discussed are **strategy** for the broad business approach, **policy** for the employment guideline, and **procedure** for the ordered selection process.

**Quick Tip to Solve:** Match broad competitive direction to strategy, a decision guideline to policy, and a chronological sequence of actions to procedure.

**12. Describe briefly the following methods of training :**

**(i) Apprenticeship Training; and**

**(ii) Internship Training.** [3 marks]

**Solution:**

**Concept:**

- Training improves an employee's knowledge and skill for a specific job. Apprenticeship and internship both connect learning with practical work, but they serve different training needs.
- Apprenticeship develops proficiency in a skilled trade under an experienced master worker; internship combines study at an educational institution with practical experience in an enterprise.

**Step 1:** Describe apprenticeship training **Apprenticeship training:** The trainee works under the guidance and supervision of a master worker for a prescribed period, acquiring the practical skills needed for a skilled occupation. It is commonly used for trades such as plumbing, electrical work and ironwork, where proficiency comes from repeated practice rather than classroom instruction alone. The apprentice observes how an experienced worker performs the job and gradually learns to carry out the tasks to the required standard. Thus, its central feature is learning a trade through supervised work over time.

**Step 2:** Describe internship training **Internship training:** This is a joint programme of an educational institution and a business enterprise. Students continue their regular studies for a prescribed period and also work in a factory, office or other organisation for a period to obtain practical knowledge and

skills. The work experience helps them apply classroom theory to actual job situations. For example, a management student may undertake an internship in an enterprise as part of the course. Its central feature is the planned combination of formal education and practical organisational experience.

**Step 3:** Conclusion Apprenticeship trains a learner in a skilled trade under a master worker, whereas internship integrates institutional education with practical work in an enterprise.

**Quick Tip to Solve:** Remember apprenticeship through "master worker and skilled trade", and internship through "institution plus enterprise"; these features distinguish the two methods clearly.

**13. Differentiate between Capital Market and Money Market on the basis of :**
**(i) Investment Outlay, (ii) Safety and (iii) Liquidity.** [3 marks]

**Solution:**

**Concept:**

- The capital market deals in medium- and long-term funds, including equity shares and debentures. The money market deals in short-term funds through instruments such as Treasury Bills, commercial paper and call money.
- The required comparison concerns the amount invested, the relative risk of the instruments and the ease of converting them into cash. The nature and maturity of the instruments explain these differences.

**Step 1:** Compare the three specified bases

| Basis | Capital Market | Money Market |
|---|---|---|
| **Investment outlay** | Investment need not involve a very large sum: the value of individual securities is generally low, making participation possible even for small investors. | Transactions generally require a large investment outlay because instruments are issued or traded in large denominations. |
| **Safety** | Securities are relatively riskier: returns are uncertain and their market prices can fluctuate substantially. There is also default risk in debt securities. | Instruments are generally safer because of their short duration and the financial standing of their issuers; default and price risks are comparatively lower. |
| **Liquidity** | Securities are liquid when a market exists, but selling them immediately may involve a price loss or brokerage. Their liquidity is comparatively lower. | Instruments are highly liquid; they can generally be converted into cash readily, with short maturities and institutional arrangements facilitating liquidity. |

**Step 2:** Relate the differences to the instruments A small investor can buy a limited number of shares, whereas a money-market transaction generally involves a substantial amount. However, the longer duration and uncertain returns of capital-market securities expose investors to greater risk. The short maturity and generally strong credit standing associated with money-market instruments make them relatively safe and highly liquid. These are relative comparisons; neither market guarantees that every

instrument is entirely risk-free.

**Step 3:** Conclusion Compared with the capital market, the money market generally requires a larger investment outlay and offers greater safety and liquidity. The capital market permits smaller investments but involves relatively greater risk and lower liquidity.

**Quick Tip to Solve:** Compare the same basis across both columns: money-market instruments generally involve large sums, short maturities and high liquidity; capital-market securities also admit small investors.

**14. 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.** [4 marks]

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

**Solution:**

**Concept:**

- The societal marketing concept combines satisfaction of the target market's needs with the long-term well-being of consumers and society.
- A business following this philosophy balances customer satisfaction, the firm's objectives and social welfare, including ethical and environmental concerns.

**Step 1:** Identify the philosophy from the case Sindhu Ayurved Ltd. follows the **societal marketing concept**. The decisive evidence is that it considers "larger issues of long term social welfare", paying attention to "social, ethical and ecological aspects of marketing". Thus its orientation goes beyond merely satisfying the immediate needs of buyers.

**Step 2:** Explain how the philosophy guides its products Under this concept, identifying and satisfying consumer needs is essential, but the firm must do so in a manner that preserves or improves consumers' and society's long-term well-being. Sindhu's R & D develops "eco-friendly, chemical-free and healthy alternatives" for daily-use products. These choices connect the satisfaction of household needs with health and environmental protection. The ordinary marketing concept centres on customer satisfaction; the societal concept adds responsibility for the wider and longer-term effects of marketing decisions.

**Step 3:** Conclusion The company has adopted the societal marketing concept: it seeks customer satisfaction while protecting long-term social welfare through socially responsible, ethical and ecological marketing decisions.

**Quick Tip to Solve:** In a marketing case, phrases such as long-term social welfare, health and ecological concern point to the societal marketing concept.

**14(ii). State any two values that are being promoted by the company.**

**Solution:**

**Concept:**

- Values are the ethical and social commitments reflected in business decisions, such as concern for the natural environment and consumer welfare.
- In a case-based answer, each value should be linked to the specific action that demonstrates it rather than stated as an unsupported general virtue.

**Step 1:** State the value of environmental protection **Environmental protection:** The company promotes concern for the environment by developing "eco-friendly" alternatives and paying attention to the "ecological aspects of marketing". This shows a commitment to considering the environmental effects of daily-use products instead of pursuing sales without regard to their wider consequences.

**Step 2:** State the value of consumer health and welfare **Concern for consumer health and well-being:** The R & D department spends time and effort developing "chemical-free and healthy alternatives". This demonstrates an intention to protect the health of users of its toothpaste, food products and other daily-use goods. The case also explicitly refers to "long term social welfare", which supports the company's commitment to people's lasting well-being rather than only immediate consumer demand.

**Step 3:** Conclusion Two values promoted by the company are environmental protection and concern for consumer health and well-being, evidenced by its eco-friendly and healthy product alternatives.

**Quick Tip to Solve:** State two distinct values and attach one phrase from the case to each: eco-friendly supports environmental protection; healthy alternatives supports consumer welfare.

**15. State any four features of informal organization.** [4 marks]

**Solution:**

**Concept:**

- An informal organisation is a network of social relationships that arises spontaneously through interaction among employees within the formal organisation.
- Its relationships meet employees' social needs. They grow from personal interaction rather than the officially prescribed authority and reporting structure.

**Step 1:** Explain its origin and relationships

- **Spontaneous origin:** An informal organisation develops on its own as employees interact while working together. Management does not deliberately design it, issue an order establishing it or formally allot membership to its groups.
- **Personal relationships as the basis:** Its relationships arise from friendship, common interests, shared experiences and social interaction. These personal ties are independent of the superior-subordinate relationships laid down in the formal organisation, so a group can include people from different departments and levels.

**Step 2:** Explain its standards and structure

- **Group norms guide behaviour:** Members develop their own standards of conduct and expectations. Their behaviour is influenced by these group norms and the desire for group acceptance, rather than being governed only by officially prescribed rules and regulations.
- **No fixed structure or direction of communication:** The network has no officially specified chain of command. Communication can pass freely among members in different directions, irrespective of formal reporting relationships, which makes the informal structure flexible.

**Step 3:** Conclusion Four features of informal organisation are its spontaneous origin, its basis in personal relationships, the influence of group norms, and the absence of a fixed structure or prescribed direction of communication.

**Quick Tip to Solve:** For informal organisation, connect each feature to social interaction: friendships create the network, group norms influence conduct, and communication ignores the formal chain of command.

**16. Explain any four points of importance of controlling.** [4 marks]

**Solution:**

**Concept:**

- Controlling is the management function of comparing actual performance with planned standards, identifying deviations and taking corrective action.
- Its importance lies in keeping activities directed towards objectives and in using performance feedback to improve standards, resource use and employee effort.

**Step 1:** Explain how controlling supports objectives and standards

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings to light deviations from the plan. Managers identify their causes and take corrective action, bringing activities back on course. Thus, it guides the organisation towards the achievement of its objectives instead of allowing errors to continue unnoticed.
- **Judging accuracy of standards:** A sound control system enables management to verify whether the standards set earlier are accurate and objective. Performance feedback also helps managers review standards when the organisation or its environment changes. Consequently, future performance is judged against suitable standards rather than outdated or unrealistic expectations.

**Step 2:** Explain how controlling improves resources and motivation

- **Making efficient use of resources:** Under controlling, operations are performed in accordance with predetermined standards. Managers detect wastage, spoilage or inefficient methods and take steps to reduce them. Resources are therefore used more effectively, helping the organisation obtain better output from the human and physical resources available.
- **Improving employee motivation:** Clearly communicated performance standards tell employees what they are expected to do and the level of performance required. When appraisal and rewards are linked to these standards, employees can see how their contribution will be evaluated. This clarity encourages them to perform better and work towards the organisation's targets.

**Step 3:** Conclusion Four points of importance of controlling are accomplishing organisational goals, judging the accuracy of standards, making efficient use of resources and improving employee

motivation. Each follows from measuring performance and acting on the feedback obtained.

**Quick Tip to Solve:** For each point, connect the benefit to a control activity: comparison reveals a deviation, feedback reviews a standard, and corrective action improves performance.

**17. 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 are tools for measuring characteristics of candidates so that the employer can assess their suitability for a particular job.
- Personality tests assess characteristics such as emotions and maturity; intelligence tests measure intellectual capacity, including the ability to make decisions and judgments.

**Step 1:** Select a personality test for emotional maturity **Personality test:** Mr. Murthy should use this test because he wants to find out the candidates' "maturity and emotions in dealing with the patients." Personality tests provide clues about a person's emotions, reactions, maturity and value system. They help the employer understand how a candidate is likely to behave, especially in situations involving interaction with others.

Nurses must deal with different types of patients. Assessing emotional reactions and maturity can therefore help the hospital judge whether a candidate can deal with patients in a balanced and suitable manner. Such tests examine personality characteristics rather than merely testing whether the candidate remembers nursing facts. They need careful interpretation because their results concern behaviour and personality.

**Step 2:** Select an intelligence test for decision-making ability **Intelligence test:** This meets the requirement of knowing the candidates' "ability to make decisions." Intelligence tests are psychological tests used to measure an individual's level of intelligence or intellectual ability. They indicate the candidate's learning ability and capacity to make decisions and judgments.

Mr. Murthy can use the results to assess whether candidates can understand a situation, process relevant information and exercise judgment. This is useful when selecting nurses who must respond appropriately to the needs of different patients. It is distinct from a trade test, which measures existing occupational knowledge and proficiency, and an aptitude test, which measures potential for learning new skills: the particular clue here is the stated requirement to assess decision-making ability.

**Step 3:** Conclusion Mr. Murthy can use **personality tests** to assess maturity and emotional reactions while dealing with patients, and **intelligence tests** to assess intellectual ability, particularly decision-making and judgment.

**Quick Tip to Solve:** Match the exact clue to the test: emotions and maturity indicate personality, while intellectual ability, decisions and judgments indicate intelligence.

**18. 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 higher-level needs, such as growth, recognition and achievement. Their motivating effect does not depend primarily on a direct monetary payment.
- Career advancement opportunities provide a prospect of personal and professional growth, whereas job enrichment makes the work itself more challenging, meaningful and satisfying.

**Step 1:** Identify and explain career advancement opportunities **Career advancement opportunities:** The words "appropriate skill development programmes and a sound promotion policy" identify this incentive. Employees seek opportunities to improve their abilities and move to higher positions in the organisation. Training and skill development prepare them for greater responsibilities, while a sound promotion policy gives them a credible prospect of advancement. When employees can see that good performance and improved competence may lead to growth, they are encouraged to work effectively and remain with the organisation. Sadaf's programmes and promotion policy therefore address employees' need for growth and future progress.

**Step 2:** Identify and explain job enrichment **Job enrichment:** Sadaf "designed the jobs of the managers to include greater variety of work content". Job enrichment means designing jobs to include a greater variety of work content, requiring a higher level of knowledge and skill, giving employees more autonomy and responsibility, and providing opportunities for personal growth and a meaningful work experience. Interesting and challenging work allows employees to use their potential and experience achievement. This improves job satisfaction and motivates capable employees to continue contributing to the company. The case's emphasis on richer job content, rather than a cash reward, identifies this non-financial incentive.

**Step 3:** Conclusion The two incentives are **career advancement opportunities**, shown by skill development and a sound promotion policy, and **job enrichment**, shown by greater variety in managers' work content. Both help motivate employees and retain talent by satisfying growth and achievement needs.

**Quick Tip to Solve:** Link training plus promotion prospects to career advancement, and richer or more challenging work content to job enrichment; support each identification with the matching words from the case.

**19. 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:**

- Art is the skilful and personal application of existing knowledge to achieve desired results. Management is an art because a manager uses knowledge, experience, creativity and judgement in actual work situations.
- The features of art relevant to management are the existence of theoretical knowledge, personalised application, and practice and creativity. Knowing principles is useful, but effective management also requires skill in applying them.

**Step 1:** Identify the aspect of management in part (i) The aspect is **management as an art**. Hema applies knowledge "in a skillful manner in the context of the realities of a given situation" and uses "creativity and initiative". These expressions emphasise practical skill and personal judgement in achieving results, which characterise art.

**Step 2:** Explain the existence of theoretical knowledge **Existence of theoretical knowledge:** Every art rests on basic principles and theoretical knowledge. Management also has a body of knowledge containing principles and techniques developed through study and experience. A manager acquires and understands this knowledge before applying it. Hema's learning at "a renowned management institute" and her reading of "books and other literature in various fields of management" show this theoretical foundation and her effort to keep it updated.

**Step 3:** Explain personalised application **Personalised application:** Different managers apply the same knowledge in their own ways according to their skills, experience and the circumstances. Management does not consist of mechanically repeating textbook statements: the manager adapts them to the actual situation. Hema applies her knowledge "in the context of the realities of a given situation", showing that her application is personal and situation-specific.

**Step 4:** Explain practice and creativity **Based on practice and creativity:** An artist becomes proficient through regular practice and uses creativity to produce effective results. Similarly, managers improve their skill by dealing with real problems repeatedly and drawing on what they learn. They creatively combine knowledge and resources when facing new challenges. Hema's "observation and experience over the years" and her use of "creativity and initiative in handling challenging situations" demonstrate this feature.

**Step 5:** Conclusion Management as an art is highlighted. Its three features are the existence of theoretical knowledge, personalised application, and practice and creativity, all of which are illustrated by Hema's learning and her skilful handling of actual managerial situations.

**Quick Tip to Solve:** When a case stresses skilful application, personal judgement, experience and creativity, identify management as an art and connect each feature to a specific phrase in the case.

**20. Explain any five points of importance of Business environment.** [5 marks]

**Solution:**

**Concept:**

- Business environment means the totality of external forces that affect an enterprise's performance, although these forces are largely outside its control.
- Understanding the environment enables managers to recognise favourable opportunities, prepare for threats and align business decisions with changing conditions.

**Step 1:** Explain opportunities and early warning

- **Identifying opportunities and getting the first-mover advantage:** An opportunity is a favourable external change that can help a business improve its performance. Environmental awareness enables a firm to identify such changes early and act before competitors. For example, recognising a growing preference for healthier foods can help a firm introduce suitable products and build customer loyalty before rivals enter that segment.
- **Identifying threats and early warning signals:** Threats are external developments that hinder a firm's performance. Studying competitors, technology, government policy and consumer preferences provides advance warning of possible difficulties. The firm can then prepare a response, such as improving quality or reducing costs, instead of waiting until declining sales seriously affect it.

**Step 2:** Explain resources, adaptation and planning

- **Tapping useful resources:** The environment supplies inputs such as finance, materials, labour, machinery and information. It also receives the firm's outputs. Understanding environmental expectations helps the enterprise secure these resources and produce goods or services that customers value; successful exchanges support its continued operations.
- **Coping with rapid changes:** Technology, competition and market conditions change quickly. Environmental scanning helps managers understand the direction of these changes and adapt products, processes and practices in time. This reduces dependence on outdated methods and helps the enterprise remain relevant in a changing market.
- **Assisting in planning and policy formulation:** Plans and policies must reflect both present conditions and likely future developments. Information about opportunities, threats and available resources gives managers a sound basis for choosing objectives and courses of action. For example, anticipated growth in demand can guide capacity expansion, while a restrictive policy may call for a revised investment plan.

**Step 3:** Conclusion Business-environment awareness helps an enterprise obtain a first-mover advantage, recognise threats early, tap resources, cope with rapid changes and formulate realistic plans and policies. Each benefit enables managers to respond to external conditions more effectively.

**Quick Tip to Solve:** Remember five distinct benefits: opportunities, threats, resources, change and planning. Explain what environmental awareness enables the business to do under each heading.

**21. 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 involves designing and producing the container or wrapper of a product. Different layers perform different roles in containing, protecting and presenting the product.
- Primary packaging is the immediate container of the product, while secondary packaging is the additional covering around the primary package. Packaging also supports product identification, protection, use and promotion.

**Step 1:** Identify the packaging levels in the case

- **Primary packaging – the ointment tube:** The words "ointment tube" identify the immediate container that holds the pain-relieving medicine. The tube remains with the product during its use and allows the ointment to be dispensed in small quantities.
- **Secondary packaging – the cardboard box:** The statement "The ointment tube was packed in a cardboard box" identifies an additional layer around the immediate container. The box provides further protection and a surface for presenting information. It may be discarded when the product is put to use.

These are the two levels described at the time of Shyam's purchase. A transport package, such as a large carton holding several units, is not mentioned in the case and need not be assumed.

**Step 2:** State the functions of packaging

- **Product identification:** Packaging helps customers recognise a product and distinguish it from competing products through its design, colour, brand name or other distinctive features. A recognisable medicine pack helps a buyer identify the intended product on the chemist's shelf.
- **Product protection:** It protects the contents against damage, leakage, spoilage or contamination during handling, storage and movement. Here, the tube contains the ointment, while the outer box gives an additional protective covering.
- **Facilitating use of the product:** A suitable package makes a product easier to handle, store, open and use. The tube enables the user to squeeze out the required quantity of ointment and close the container after use.
- **Product promotion:** An attractive and informative package draws attention and can stimulate purchase, especially where products are displayed for customers to see. The case says Shyam bought the ointment "after seeing it being displayed in the chemist's shop", illustrating the importance of presentation in attracting the buyer.

**Step 3:** Conclusion The ointment tube is primary packaging and its cardboard box is secondary packaging. The main functions of packaging are product identification, product protection, facilitating the use of the product and product promotion.

**Quick Tip to Solve:** Ask which layer directly holds the medicine: that is primary packaging. The extra retail box is secondary packaging; then recall identification, protection, convenience and promotion.

**22. 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.** [5 marks]

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

**Solution:**

**Concept:**

- Fayol's principle of order requires a definite place for every material and person, with each material and person in the right place.
- Division of work divides the total task into specialised jobs. Repeated performance develops skill and improves efficiency.

**Step 1:** Identify and explain order **Order:** The case states, "There is a specific place for each of these items and volunteers put everything at their respective places." The donations are also "segregated, classified and put in shelves and boxes that are labelled systematically." This is material order: each kind of donated article has a designated place. Keeping articles in their proper positions avoids confusion and wasted time in locating them, and helps volunteers retrieve and distribute the required supplies efficiently.

**Step 2:** Identify and explain division of work **Division of work:** The case says that volunteer work is "divided into specific jobs like fund raising, field visits, social media updates and so on." Volunteers are assigned to teams according to their competency and training. This division allows each volunteer to specialise in a particular field instead of performing every activity. Specialisation improves skill, accuracy and efficiency and therefore leads to the efficient utilisation of human effort described in the case.

**Step 3:** Conclusion The two principles adopted by Apaar Foundation are **order**, shown by designated places for donations, and **division of work**, shown by specialised volunteer jobs and teams.

**Quick Tip to Solve:** Link "a specific place" to order and "specific jobs" to division of work; quote the relevant case line before explaining each principle.

**22(ii). State two values that Apaar Foundation is displaying and promoting in society through their work.**

**Solution:**

**Concept:**

- Values are desirable standards that guide conduct towards other people and society. A case-based value must be linked to an action stated in the case.
- Compassion recognises others' suffering, while social responsibility encourages constructive action for the welfare of the community.

**Step 1:** State compassion towards people in need **Compassion and concern for the disadvantaged:** Apaar Foundation is "working to improve the lives of children with medical needs, the homeless and victims of natural disasters." Its attention to these vulnerable groups displays empathy for people facing illness, homelessness or emergencies. By helping such people, the foundation also encourages society to respond sensitively to suffering rather than ignore it.

**Step 2:** State social responsibility and service **Social responsibility and service to society:** The foundation collects "dry ration, old clothes, shoes, toys, books and medicines from donors" in addition to cash donations. Volunteers contribute their effort through fund raising, field visits and other organised tasks. These activities put available resources and human effort to use for community welfare. They promote a willingness among donors and volunteers to help others and participate in meeting social needs.

**Step 3:** Conclusion Two values displayed and promoted are **compassion towards people in need** and **social responsibility through service to society**. Both are supported by the foundation's relief work and collection of useful donations.

**Quick Tip to Solve:** Choose two distinct values and support each with a stated action: concern for vulnerable people shows compassion, while organised donations and service show social responsibility.

**23. Differentiate between 'functional' and 'divisional' structure of organization on any six basis.**

[6 marks]

**Solution:**

**Concept:**

- A functional structure groups similar activities into specialised departments, such as production, marketing, finance and personnel. Its organising basis is the function performed.
- A divisional structure groups activities around distinct products or product lines. Each division generally has its own functional departments and is responsible for its product's performance.

**Step 1:** Identify the organising basis of each structure Compare the structures by asking what defines a major unit. In a functional structure, a marketing department serves the organisation's products, whereas in a divisional structure a product division contains the functions needed for that product. The following six bases show how this difference affects responsibility, skills, costs and suitability.

**Step 2:** Present six bases of distinction

| Basis | Functional structure | Divisional structure |
|---|---|---|
| **1. Formation** | Formed by grouping activities according to functions, such as production, finance and marketing. | Formed by grouping activities according to products or product lines; each division has the functions it needs. |
| **2. Specialisation** | Promotes functional specialisation because employees concentrate on one function and develop expertise in it. | Promotes product specialisation because a division concentrates on the requirements and performance of its product. |
| **3. Responsibility** | Responsibility for a particular product's profit is difficult to fix because several functional departments contribute to its results. | Responsibility for a product's results is easier to fix because the divisional head controls the activities and results of that product division. |
| **4. Managerial development** | Managerial development is comparatively limited: a functional manager gains expertise mainly in one functional area. | Facilitates development of general managers: a divisional head handles several functions and takes varied decisions for the division. |
| **5. Cost** | More economical because functions are not duplicated for every product; common departmental facilities can be shared. | More costly because functional facilities and personnel are duplicated across product divisions. |
| **6. Suitability** | Suits organisations with a single product or a relatively narrow range of similar products, where functional expertise is important. | Suits large organisations with diverse product lines, where different products need separate attention and accountability. |

**Step 3:** Conclusion Functional structure centres on specialised functions, while divisional structure centres on products. Their six distinctions are formation, specialisation, responsibility, managerial development, cost and suitability. Thus, the appropriate choice depends especially on the variety of products and the need for product-wise accountability.

**Quick Tip to Solve:** Start with the grouping basis: functions or products. Derive the remaining differences from it, and compare both structures against the same Basis in each row.

**24. 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:**

- Consumer Protection: a consumer court can grant suitable relief where a genuine complaint establishes overcharging, defective goods or injury caused by those goods.
- Relief must match the harm: repayment restores money wrongly taken, removal or replacement

remedies a product defect, and compensation addresses proved loss or injury.

**Step 1:** State two reliefs for Divya's overcharging complaint The words "charged more than the printed maximum retail price (MRP)" show that the seller collected an amount exceeding the permissible selling price. Two suitable reliefs are:

- **Refund the excess amount:** The court may direct the seller to return the amount charged over the printed MRP. This restores the money wrongfully collected from Divya.
- **Discontinue the unfair trade practice:** The court may order the seller to stop charging prices above the printed MRP and not repeat this practice. This addresses the wrongful selling practice responsible for her complaint.

**Step 2:** State two reliefs for Clara's defective car complaint The words "a car with a defective engine" establish a defect in the goods purchased. The relief should provide Clara with the functioning product for which she paid:

- **Remove the defect:** The court may order the seller or manufacturer to remove the engine defect without charging Clara for rectifying it, so that the car becomes fit for normal use.
- **Replace the defective goods:** The court may order replacement of the defective car with a new car of similar description free from the defect. Replacement is an available remedy where merely supplying a defective product has deprived the consumer of its proper use.

**Step 3:** State two reliefs for Antony's injury complaint Antony "suffered injury while using newly bought defective electric heater". His complaint concerns both the defective appliance and the resulting personal injury:

- **Compensate for injury and loss:** The court may award compensation for the injury and consequent loss suffered because of the defective heater, such as the treatment expenses established by the complaint.
- **Refund the price paid:** The court may direct refund of the heater's purchase price. This restores the money paid for the defective appliance, while compensation separately addresses the injury it caused.

**Step 4:** Conclusion Divya may obtain refund of the excess price and an order stopping the unfair practice; Clara may obtain removal of the engine defect and replacement with defect-free goods; Antony may obtain compensation for injury and refund of the heater's price. These are two suitable reliefs for each genuine complaint.

**Quick Tip to Solve:** Link each remedy to the stated harm: excess price calls for repayment, a product defect for repair or replacement, and personal injury for compensation.

**25. 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:**

- Financial Management: an investment decision concerns allocating the firm's funds among assets. Investment in fixed assets for long-term benefits is a capital budgeting decision.
- A capital budgeting decision commits substantial funds, affects future earning capacity and is difficult to reverse without considerable cost. Its evaluation considers the future cash flows and expected return of competing proposals.

**Step 1:** Identify the decision from the case Sudha must take a **long-term investment decision, also called a capital budgeting decision**. The proposed uses of her savings involve acquiring or replacing fixed assets and expanding business capacity rather than financing routine day-to-day operations.

The case mentions "buying new machinery", "acquiring altogether new equipments with latest technology" and "opening a new branch of the poultry farm in another city". These proposals commit funds to assets or facilities expected to serve the business over a long period.

**Step 2:** Explain the nature and significance of capital budgeting Capital budgeting requires choosing the long-term asset or project in which the firm's funds should be invested. Sudha should compare the competing expansion and replacement proposals before deciding where to allocate her Rs 4,00,000 savings.

The description "involve huge amount of money and are irreversible except at a huge cost" supports this identification. These decisions determine future productive capacity and profitability; an unsuitable machine or branch location may tie up funds for years. Reversing the decision could mean selling assets at a loss. It is therefore necessary to analyse their benefits and costs before committing the money.

**Step 3:** Explain cash flows of the project as the first factor **Cash flows of the project:** Investing in a fixed asset produces a series of cash outflows and inflows over time. Sudha should estimate the initial amount needed, subsequent operating payments and cash receipts expected from each proposal throughout its useful life.

The amount and timing of these cash flows matter. A project must generate sufficient cash benefits to justify its investment, and earlier receipts generally contribute more to its present value than equal receipts much later. Comparing the machinery and new-branch proposals therefore requires evaluating their expected net cash flows, rather than merely comparing their purchase prices or sales figures.

**Step 4:** Explain the rate of return as the second factor **Rate of return:** Sudha should assess the expected return generated by each investment and compare it with the cost of the capital committed. Other things being equal, a project offering a higher satisfactory return is preferred.

A proposal should not be selected merely because money is available: its expected benefits must justify the investment. Comparing expected returns helps Sudha judge whether modern machinery or a new branch would use her funds more profitably. The estimates must be assessed with the risk and reliability of the expected benefits in view; the case supplies no numerical cash-flow estimates from which a particular proposal can already be selected.

**Step 5:** Conclusion Sudha faces a capital budgeting or long-term investment decision because the alternatives commit funds to fixed assets and expansion for long-term benefits. Two factors affecting it are the project's cash flows and its expected rate of return, both of which should be evaluated before choosing a proposal.

**Quick Tip to Solve:** Machinery, expansion, large funds and costly reversal signal capital budgeting. Separate the project's cash-flow pattern from the return it offers on the investment.