CBSE Class 12 Business Studies Question Paper 2019 with Solution PDF-Set 66/4/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question–paper contains five Section : A, B, C, D and E.

(ii) Section A contains questions **1 to 8** carrying **one mark** each. Answers to these questions may be given in **one word** or a sentence.

(iii) Section B contains questions **9 to 13** carrying **three marks** each. Answers to these questions may be given in **50 – 75 words**.

(iv) Section C contains questions **14 to 19** carrying **four marks** each. Answers to these questions may be given in **120 words**.

(v) Section D contains questions **20 to 22** carrying **five marks** each. Answers to these questions may be given in **150 words**.

(vi) Section E contains questions **23 to 25** carrying **six marks** each. Answers to these questions may be given in **200 words**.

(vii) There is no over-all-choice in the question paper, however an internal choice has been provided in **3** questions of one mark, **2** questions of three marks, **2** questions of four marks, **1** question of five marks and **1** question of six marks. You have to attempt only one of the choices in such questions.

Section A (8 marks)

1. Mahima Jain is the Senior Manager in the Advisory Services Department of Kodes Ltd. She regularly prepares performance reports of her subordinates as a part of the appraisal.

Identify the step of the controlling process performed by her. [1 mark]

Solution:

Concept:

- Controlling involves measuring actual performance, comparing it with standards and taking corrective action.
- Performance appraisal reports are a means of obtaining information about employees' actual work.

Step 1: Recognise the evidence Mahima regularly prepares 'performance reports of her subordinates as a part of the appraisal'. Such reports record what employees have actually achieved during the period under review.

Step 2: Identify the controlling step The information collected through these reports measures actual performance. The case does not say that Mahima compares these results with standards or corrects deviations, so those later steps should not be selected.

Step 3: Conclusion The step is **measurement of actual performance**.

Quick Tip to Solve: Reports, observation and appraisal provide actual-performance information; comparison requires a separate reference to standards.

2. Ravi Jain was the Chief Executive Officer of Nath Traders. He was worried about the heavy expenditure on advertising. He asked his Finance Manager, Mohit Verma to know the views of the Sales Manager and his team regarding this expenditure. Mohit Verma was thinking of calling a meeting of the Sales Manager and his team after tea-break. But by chance at the time of tea-break, Mohit Verma met with the Sales Manager and his team in the canteen. They all discussed about this expenditure and finalised to give suggestion to reduce this expenditure.

Identify the type of organisation which helped the Finance Manager Mohit Verma, the Sales Manager and his team in finalising the suggestion. [1 mark]

Solution:

Concept:

- Informal organisation is the network of personal and social relationships that arises spontaneously within a formal organisation.
- It permits communication and cooperation outside the officially prescribed channels.

Step 1: Locate the spontaneous interaction Mohit meets the Sales Manager and his team 'by chance' in the canteen during the tea-break. Their discussion takes place through personal interaction rather than the formal meeting he had planned.

Step 2: Name the organisation This spontaneous network helped them discuss advertising expenditure

and finalise a suggestion. Although the participants hold formal positions, the chance social interaction through which they cooperated is informal organisation.

Step 3: Conclusion The type is **informal organisation**.

Quick Tip to Solve: Identify the channel actually used: a chance canteen discussion indicates informal relationships even when official managers participate.

3. Principles of management equip the managers to foresee the cause and effect relationships of their decisions and actions so that the wastages associated with a trial and error approach can be overcome.

Identify the point of significance of principles of management highlighted here. [1 mark]

Solution:

Concept:

- Management principles guide managers towards optimum utilisation of scarce human and material resources.
- Understanding cause-and-effect relationships avoids wasteful trial and error and supports effective administration.

Step 1: Read the decisive words The statement says principles help managers 'foresee the cause and effect relationships' of decisions and actions so that wastage from trial and error can be overcome. Anticipating results helps managers avoid committing scarce resources to avoidable mistakes.

Step 2: Identify the point of significance The NCERT point is optimum utilisation of resources and effective administration. Principles help managers put resources to their best use and reduce waste. By anticipating consequences, managers can make more reasoned decisions and administer activities effectively instead of repeatedly experimenting without guidance.

Step 3: Conclusion The significance is **optimum utilisation of resources and effective administration**.

Quick Tip to Solve: When cause-and-effect knowledge is linked specifically to preventing wastage from trial and error, identify optimum utilisation of resources and effective administration.

4(a). How are 'Policies' and 'Procedures' interlinked ? [1 mark]

Solution:

Concept:

- A policy is a general guideline that directs thinking and decision-making.
- A procedure specifies the chronological steps for carrying out an activity.

Step 1: Explain the policy role A policy provides the broad framework within which managers act. It guides decisions but does not itself prescribe every operational step needed to implement a decision.

Step 2: Connect the procedure Procedures translate the policy into a systematic sequence of actions.

They are therefore framed within the policy guidelines and help put the policy into practice consistently. The policy supplies direction, while the procedure supplies the method of implementation.

Step 3: Conclusion Policies and procedures are interlinked because **procedures are the steps used to implement policies within their guidelines**.

Quick Tip to Solve: Remember the relationship as policy = broad guideline; procedure = ordered steps that put that guideline into action.

OR

4(b). What is meant by 'Developing Premises' in the process of planning ? [1 mark]

Solution:

Concept:

- Planning is concerned with future action, so it must rest on assumptions about the future environment.
- Planning premises are assumptions about conditions in which plans will be carried out.

Step 1: Explain what premises represent Future circumstances cannot be known with certainty. Managers therefore make assumptions about relevant conditions, such as demand, costs or government policy, that may affect the implementation of a plan.

Step 2: Describe their development Developing premises means establishing these assumptions as the basis for preparing plans. Managers use available forecasts and information and seek common assumptions so that different departmental plans remain coordinated rather than being based on conflicting expectations.

Step 3: Conclusion **Developing premises** means making assumptions about the future conditions on which plans are based.

Quick Tip to Solve: Premises are the assumed future conditions; distinguish them from the objectives the organisation wants to achieve.

5(a). Why is it said that Controlling is a continuous activity ? [1 mark]

Solution:

Concept:

- Controlling monitors whether actual performance conforms to the standards established by plans.
- It includes measurement, comparison and corrective action and is repeated as work continues.

Step 1: Explain why one check is insufficient Organisational activities continue over time, and deviations can arise at different stages. Checking performance only once would not reveal later departures from standards or establish whether a previous correction has worked.

Step 2: Describe the recurring cycle Managers repeatedly measure actual performance, compare it

with standards and take corrective action when required. The results of correction are monitored again. This ongoing review accompanies operations and successive planning periods, making controlling a continuous activity.

Step 3: Conclusion Controlling is continuous because **performance must be monitored and corrective action taken repeatedly as activities continue**.

Quick Tip to Solve: Use the recurring cycle: measure, compare, correct and monitor again; controlling does not end with a single inspection.

OR

5(b). Why is Controlling called a forward looking function ? [1 mark]

Solution:

Concept:

- Controlling uses information about actual performance to identify deviations from planned standards.
- Corrective action aims to improve future performance and prevent the recurrence of deviations.

Step 1: Recognise the use of past information A manager must examine completed or current performance to find whether actual results differ from standards. This measurement supplies the evidence needed for control, but collecting historical information is not its final purpose.

Step 2: Explain the future purpose By analysing deviations, managers identify their causes and take corrective action. This helps avoid repeating mistakes and guides future operations towards the planned objectives. Controlling is therefore forward looking because its practical aim is better performance in the future.

Step 3: Conclusion Controlling is forward looking because **corrective action prevents the recurrence of deviations and improves future performance**.

Quick Tip to Solve: Past results supply the evidence; preventing future mistakes explains why controlling is forward looking.

6(a). What is meant by 'Labelling' ? [1 mark]

Solution:

Concept:

- Labelling is the marketing function of designing the label to be put on the product package.
- A label may be a simple tag or an elaborate graphic attached to, or printed on, the package.

Step 1: State the meaning Labelling means designing and placing a label on the product package so that the product can be identified and information about it can be communicated.

Step 2: Clarify its scope The label can carry the product name, brand and relevant particulars such as

contents or directions for use. Designing this information-bearing part of the package is labelling; the package itself is the container or wrapper.

Step 3: Conclusion Labelling is the process of designing the label to be put on the product package.

Quick Tip to Solve: For a definition of labelling, mention designing the label; do not define it merely as making a container.

OR

6(b). Define 'Promotion' as an element of marketing mix. [1 mark]

Solution:

Concept:

- Promotion is the communication element of the marketing mix.
- It makes prospective customers aware of a product and persuades them to buy it.

Step 1: Define the element Promotion refers to the activities undertaken to communicate the merits of a product to target customers and persuade them to purchase it.

Step 2: Explain the communication purpose The firm informs buyers about the availability and benefits of its offering, creates interest and encourages a favourable buying response. Advertising, personal selling, sales promotion and public relations are methods through which this communication can be carried out.

Step 3: Conclusion Promotion means communicating the merits of a product and persuading target customers to buy it.

Quick Tip to Solve: Remember the two essential words in a promotion definition: communicate and persuade.

7. Besides a 'consumer', name any two parties who can file a complaint before the appropriate consumer forum. [1 mark]

Solution:

Concept:

- Consumer protection permits specified parties other than the individual consumer to approach the appropriate consumer forum.
- Under the framework applicable to this paper, recognised consumer associations and governments can file complaints.

Step 1: Name a consumer association **A registered consumer association:** Any voluntary consumer association registered under the Companies Act or any other law in force may file a complaint. It can do so even if the affected consumer is not a member of that association.

Step 2: Name the government **The Central Government or any State Government:** Either can file a complaint before the appropriate consumer forum. Thus the ability to seek consumer redress is not

confined to the person who purchased the goods or hired the services.

Step 3: Conclusion Two eligible parties are (i) a registered consumer association and (ii) the Central Government or any State Government.

Quick Tip to Solve: When asked for parties besides a consumer, give a registered association and a government, rather than repeating the individual buyer.

8. Koby Ltd. is an 87-year-old reputed consumer goods company. It is known for offering good quality electronic products at reasonable prices. It has branches all over India. It has a large shareholder base. The shareholders desire that some dividend is paid every year on their investments. Company's management understands that it is important to keep the shareholders happy and satisfied. As a matter of policy, they declare a certain amount of dividend every year out of profits rather than reinvesting the whole as retained earnings.

Identify the factor affecting dividend decision being highlighted in the above situation. [1 mark]

Solution:

Concept:

- Shareholders' preference is a factor affecting a company's dividend decision.
- Management considers whether shareholders prefer regular dividend income or the reinvestment of profits for future growth.

Step 1: Locate the preference in the case The case states that the shareholders "desire that some dividend is paid every year on their investments". This explicitly identifies their preference for receiving a regular share of profits.

Step 2: Connect the policy to that preference Management wishes to keep shareholders "happy and satisfied" and therefore distributes some profit instead of retaining all of it. The decision responds to the owners' expectations; the company's age and wide branch network are background details, not the factor highlighted by this policy.

Step 3: Conclusion The factor is **shareholders' preference**: shareholders prefer a regular annual dividend.

Quick Tip to Solve: In a dividend case, words about what investors want point to shareholders' preference; distinguish them from the company's capacity to pay.

Section B (15 marks)

9. How does planning lead to rigidity and reduce creativity ? Explain. [3 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and how it is to be done, giving employees a predetermined course of action.

- Two limitations are that planning leads to rigidity and reduces creativity when plans become fixed instructions rather than adaptable guides.

Step 1: Explain rigidity **Planning leads to rigidity:** Plans normally specify the objectives to be achieved within a stated time and the methods to be followed. Managers may insist on following the predetermined course even when circumstances change. Such inflexibility makes it difficult to modify action promptly and may prevent the organisation from responding effectively to new conditions. A plan must therefore remain adaptable; mechanical adherence to it creates rigidity.

Step 2: Explain reduced creativity **Planning reduces creativity:** Planning is generally carried out by top management, while the other levels mainly implement the plans. Employees at these levels may be expected to follow instructions instead of developing their own ideas. When their participation in planning is restricted, their initiative and original thinking are discouraged. Consequently, activities become routine and employees have less scope to suggest new ways of doing work.

Step 3: Link the limitations Both limitations arise when the predetermined plan is treated as binding in every situation. Rigidity concerns difficulty changing the course of action; reduced creativity concerns the limited opportunity given to employees to think independently and contribute new ideas.

Step 4: Conclusion Planning may create rigidity through inflexible adherence to a fixed course and reduce creativity by confining employees to implementing plans made by top management.

Quick Tip to Solve: Keep the effects distinct: rigidity means difficulty adapting a plan, while reduced creativity means less scope for employees' own ideas.

10. Indian equity markets are going through a phase of boom. There is a huge growth potential for innovative technologies. This has resulted in lots of new ventures vying for a market share and old enterprises trying to keep up with the pace with which changes are taking place in the economy. This technological innovation has helped even smaller businesses to compete on a global scale.

Identify and explain the three factors highlighted above which affect the working capital requirements of such enterprises. [3 marks]

Solution:

Concept:

- Working capital finances day-to-day operations, including inventories, debtors and cash. Its requirement changes with the scale and conditions of business.
- The case highlights the business cycle, growth prospects and level of competition. These factors affect the funds tied up in current assets.

Step 1: Identify the business-cycle effect **Business cycle:** The words 'going through a phase of boom' indicate an upswing in business activity. During a boom, demand and sales tend to increase, so enterprises need larger stocks of materials and finished goods and funds to support increased operations. Hence working capital requirements rise. During a depression, lower production and sales generally reduce these requirements.

Step 2: Explain the growth opportunity **Growth prospects:** The phrase 'huge growth potential for

innovative technologies' points to opportunities for expansion. Enterprises expecting higher growth need more working capital to support increased production and sales, hold adequate inventories and finance the resulting receivables. Their requirement is normally higher than that of enterprises with limited growth prospects.

Step 3: Connect competition with current assets **Level of competition:** The expressions 'new ventures vying for a market share' and 'smaller businesses to compete on a global scale' indicate greater competition. To serve customers promptly, firms may keep larger inventories; to attract and retain customers, they may offer more liberal credit. More funds are therefore blocked in stock and debtors, increasing working capital requirements.

Step 4: Conclusion The three factors are business cycle, growth prospects and level of competition. A boom, opportunities for expansion and stronger competition tend to increase the working capital needed by these enterprises.

Quick Tip to Solve: Match each clue separately: boom means business cycle, expansion potential means growth prospects, and rivalry for market share means level of competition.

11(a). State any three measures to overcome barriers to effective communication. [3 marks]

Solution:

Concept:

- Effective communication occurs when the receiver understands the message in the sense intended by its sender. Barriers may distort the message or prevent a proper response.
- Communication can be improved by clear thinking, language suited to the receiver and feedback. These measures address the message before, during and after transmission.

Step 1: Clarify the idea before communicating **Clarify the ideas before communication:** The sender should analyse the purpose and content of the message and be clear about what is to be conveyed. The problem should be studied from all relevant angles before the message is formulated. A clear and logically organised message reduces ambiguity and avoids transmitting the sender's own confusion to the receiver.

Step 2: Use language suited to the receiver **Communicate according to the needs of the receiver:** The sender should consider the receiver's education, understanding and experience. The message should use familiar words and an appropriate level of detail rather than unnecessary technical language. Adapting the expression to the receiver makes it easier to understand the intended meaning and reduces semantic barriers.

Step 3: Obtain and assess feedback **Ensure proper feedback:** The sender should encourage the receiver to respond and ask questions. By checking the response, the sender can establish whether the message has been understood correctly and clarify misunderstandings promptly. Feedback makes communication a two-way process and checks its effectiveness rather than assuming that sending a message is sufficient.

Step 4: Conclusion Three measures are clarifying ideas before communication, communicating according to the needs of the receiver, and ensuring proper feedback.

Quick Tip to Solve: Organise three measures around the communication sequence: clarify before sending, adapt while expressing, and check understanding through feedback.

OR

11(b). State the role of supervisor in the directing function of management. [3 marks]

Solution:

Concept:

- Supervision is overseeing employees at work and guiding them so that plans are translated into action. The supervisor has direct contact with workers.
- As a first-line manager, the supervisor connects management with workers and combines guidance, communication, motivation and control of day-to-day performance.

Step 1: State the communication and human-relations role **Link between workers and management:** The supervisor explains management's plans and instructions to workers and conveys workers' problems, grievances and suggestions to management. This two-way link helps both sides understand each other. **Maintain direct contact:** Regular personal contact and friendly relations help the supervisor understand workers' needs, build confidence and secure their cooperation.

Step 2: State the guidance and performance role **Ensure performance of work:** The supervisor guides workers, assigns and explains their tasks and checks that work proceeds according to instructions and standards. **Provide on-the-job training:** The supervisor demonstrates correct methods and helps employees improve their skills while working. Immediate guidance corrects mistakes before they become repeated habits.

Step 3: State the motivation and feedback role **Build morale and reduce disputes:** Effective leadership, fair treatment and timely attention to grievances encourage employees and help prevent misunderstandings. **Give performance feedback:** The supervisor observes work and supplies useful feedback, enabling employees to recognise weaknesses and improve. Thus supervision supports both achievement of organisational objectives and development of workers.

Step 4: Conclusion A supervisor links management and workers, maintains direct contact, guides and trains employees, checks performance, builds morale and provides feedback. These roles make directing effective at the operating level.

Quick Tip to Solve: For the role of a supervisor, connect each point with direct contact: communicating, guiding, training, motivating and checking the workers who perform the task.

12. Kavita Ghai was the Managing Director of a restaurant in Lucknow called 'Healthy Kitchen'. The restaurant was doing well and the volume of work started increasing slowly and steadily. Kavita Ghai was not able to manage all the work on her own. The increasing magnitude of work made it impractical for her to handle it all by herself. Moreover her objective is to open more branches of this restaurant at different places.

She appointed Nikhil Gupta, as a General Manager of 'Healthy Kitchen', Lucknow and gave him the right to command his subordinates and to take action within the scope of his position. For smooth running of the restaurant she also gave him authority to hire and train the staff as per the requirements.

Kavita Ghai was satisfied with the work of Nikhil Gupta and was able to open other branches of the restaurant in Agra and Kanpur also.

(a) Identify the concept followed by Kavita Ghai which helped her to open the new branches of the restaurant.

(b) Also, explain briefly the two points of importance of the concept identified in (a) above. [3 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out assigned duties. It enables a manager to get work done through others while retaining ultimate accountability.
- Authority is the right to give orders and take decisions within a position's scope. Assigning work must be supported by adequate authority to perform it effectively.

Step 1: Identify delegation from the case The concept is **delegation**. Kavita appointed Nikhil as General Manager and gave him the "right to command his subordinates and to take action within the scope of his position". She also authorised him to hire and train staff. Thus she entrusted work and decision-making authority to a subordinate instead of handling every restaurant activity herself.

Step 2: Explain effective management **Effective management:** Delegation reduces a manager's routine workload and allows attention to be concentrated on important matters. Nikhil could manage day-to-day staffing and restaurant operations, freeing Kavita to devote time to growth plans. This is especially relevant because the increasing volume of work had made it impractical for her to do everything herself.

Step 3: Explain facilitation of growth **Facilitation of growth:** Delegation develops employees' ability to exercise initiative and take decisions, creating a pool of capable managers who can take up greater responsibilities. Entrusting the Lucknow restaurant to Nikhil provided managerial support for expansion. Kavita was consequently able to open branches in Agra and Kanpur while the existing restaurant continued to operate smoothly.

Step 4: Conclusion Kavita used delegation. Its contribution to effective management and facilitation of growth enabled her to manage the increasing workload and expand Healthy Kitchen.

Quick Tip to Solve: Identify delegation from the transfer of authority to a subordinate; then link each importance point to the manager's relief or the firm's expansion.

13(a). Explain with the help of any three points how proper Financial Planning enables the companies to tackle the uncertainty in respect of availability and timings of funds and helps in smooth functioning of the organisation. [3 marks]

Solution:

Concept:

- Financial planning means estimating the funds required by a business and specifying their sources. It seeks to ensure that adequate funds are available at the right time.
- Planning anticipates financial requirements under different business conditions, helping a company avoid both shortages and unnecessary surplus funds.

Step 1: Anticipate future financial situations **Forecasting future requirements:** Financial planning forecasts what may happen in the future under different business situations. It estimates how much funding will be needed and when payments will fall due. The company can therefore prepare for changing sales, investment and operating requirements instead of reacting only after a shortage has arisen.

Step 2: Prepare for surprises and uncertainty **Readiness for uncertainty:** By considering alternative situations, financial planning helps the company prepare for surprises and avoid financial shocks. Management can identify possible funding gaps early and arrange suitable sources of finance. This gives the firm time to respond if expected receipts are delayed or requirements increase, allowing operations to continue with less disruption.

Step 3: Coordinate activities and reduce waste **Coordination of business functions:** Financial planning links investment and financing decisions with operating plans. Departments can organise purchases, production and other commitments in line with the availability and timing of funds. This coordination reduces gaps between the need for finance and its availability and avoids duplication, waste and confusion, thereby supporting smooth functioning.

Step 4: Conclusion Forecasting requirements, preparing for uncertainty and coordinating activities help the business secure funds when needed and maintain smooth operations.

Quick Tip to Solve: For financial-planning importance, explain how each point improves either advance preparedness or the matching of funds with business activities.

OR

13(b). How do debt and equity differ in their costs and risks involved ? Explain. [3 marks]

Solution:

Concept:

- Financing decisions determine the proportion of debt and equity used to finance a business. Their relative costs and the financial risk created for the company must be considered together.
- Debt creates contractual interest and repayment obligations. Equity represents owners' funds; ordinary dividends are not a compulsory fixed payment and equity capital is generally not repaid during the company's life.

Step 1: Compare their costs **Cost comparison:** The following comparison uses the company's viewpoint.

Basis	Debt	Equity
Cost	Generally cheaper. Interest is tax-deductible, reducing effective cost.	Generally costlier. Shareholders expect a higher return and dividends are not tax-deductible.
Financial risk	Higher for the company: interest and agreed principal repayments are compulsory.	Lower for the company: ordinary dividends are not a fixed contractual obligation.

Lenders normally face lower investment risk because their claims have priority over those of equity shareholders, so they accept a lower return. Equity shareholders bear the residual risk and consequently expect a higher return.

Step 2: Compare financial risk for the company **Risk:** Debt involves greater financial risk for the borrowing company because interest must be paid irrespective of profit and the principal must be repaid according to the agreed terms. A shortage of cash can therefore cause default, financial distress or insolvency. Equity does not create these fixed contractual payments: ordinary dividends depend on distributable profits and the decision to declare them. It consequently imposes less financial risk on the company.

Step 3: Distinguish the company and investor viewpoints **Perspective:** The greater risk of debt in a financing decision refers to the company's fixed payment burden. For investors, equity is riskier because shareholders receive the residual return after other claims are met. Thus the lower cost of debt does not mean that borrowing without limit is safe: management must balance its cost advantage against the firm's capacity to meet fixed commitments.

Step 4: Conclusion Debt is generally lower-cost but raises the company's financial risk through compulsory payments; equity is generally higher-cost but does not impose the same fixed payment obligations.

Quick Tip to Solve: Keep the viewpoint clear: debt increases financial risk for the company, whereas equity investors bear the residual investment risk.

Section C (24 marks)

14(a). State any four functions performed by non-governmental organisations for protection and promotion of interest of consumers. [4 marks]

Solution:

Concept:

- Consumer organisations and non-governmental organisations protect consumers by making them aware of their rights and helping them exercise those rights.
- Their role includes consumer education, spreading reliable product information, encouraging consumers to raise their voice and supporting legal redressal.

Step 1: State the educational and informational functions **Educating consumers:** These organisations organise training programmes, seminars and workshops to educate consumers about their rights and responsibilities. An informed consumer can recognise unfair trade practices and make a more careful purchase decision.

Publishing useful information: They publish periodicals and other publications to give consumers knowledge about consumer problems, legal provisions and available remedies. Such information helps buyers understand where to complain and how to protect their interests when goods or services are deficient.

Step 2: State the functions that encourage and support action **Encouraging consumers to protest:** They encourage consumers to protest and take action against unscrupulous, exploitative and unfair trade practices of sellers. By making consumers aware that they can challenge such practices, these organisations help consumers assert their rights rather than silently accept exploitation.

Providing legal assistance: They provide legal assistance to consumers seeking legal redressal for their grievances. Guidance about the complaint process and the presentation of a grievance helps consumers use the consumer protection machinery effectively and seek appropriate relief.

Step 3: Conclusion Four functions are educating consumers, publishing information about consumer problems and remedies, encouraging action against unfair trade practices, and providing legal assistance for redressal. Together these functions promote informed choice and effective protection of consumer interests.

Quick Tip to Solve: Remember the sequence educate, inform, encourage and assist; explain what the organisation does under each heading.

OR

14(b). A consumer should keep in mind certain responsibilities while purchasing, using and consuming goods and services. State any four such responsibilities of a consumer. [4 marks]

Solution:

Concept:

- Consumer protection requires consumers to act responsibly as well as exercise their rights. Careful conduct before and after buying reduces the possibility of exploitation.
- A responsible consumer makes informed choices, checks quality and safety information, and preserves evidence of the purchase so that a genuine grievance can be pursued.

Step 1: Explain responsibilities while choosing a product **Be aware of available goods and services:** A consumer should learn about the different goods and services available in the market and compare their features before buying. This enables an intelligent and informed choice rather than a purchase based only on persuasive advertising or the seller's claims.

Buy standardised goods: A consumer should buy standardised goods because appropriate quality certification provides assurance of quality. For example, one should look for the ISI mark on electrical goods, the FPO mark on fruit products and the Hallmark on jewellery, as applicable to the product.

Step 2: Explain responsibilities relating to information and proof **Read labels carefully:** A consumer should read the label to obtain information about the price, net weight, manufacturing and expiry dates and other important product details. Instructions and warnings should also be understood so that the product is selected and used safely and appropriately.

Ask for a cash memo: A consumer should insist on a cash memo or bill for every purchase of goods or services. It serves as proof of the purchase and can support a complaint when the product is defective or the service is deficient. Without this record it may be more difficult to establish the transaction and seek redressal.

Step 3: Conclusion Four responsibilities are making an informed choice, buying standardised goods, reading labels carefully and obtaining a cash memo. These actions help the consumer choose suitable products, avoid preventable problems and retain evidence needed to pursue a genuine grievance.

Quick Tip to Solve: Organise consumer responsibilities around the purchase: compare choices, check the quality mark, read the label and keep the bill.

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15. Vandana Public School had a vacancy of a Maths teacher. They were looking for a smart and creative teacher having a drive for excellence. An advertisement was given in all leading dailies. Since the response was huge, the school examined all the application forms and rejected the candidates who did not have the necessary qualifications. Thereafter, a test was conducted to measure the existing skills of the candidates. After that it was followed by a formal in-depth conversation with the Principal of the school and a panel of Maths experts.

(a) Explain the steps that have been performed by Vandana Public School in the process of identifying and choosing the best candidate.

(b) Give the name and also the meaning of the test which was conducted by the school. [4 marks]

Solution:

Concept:

- Selection is the process of identifying and choosing the best candidate from the applicants for a job. Its successive screening devices compare applicants with the requirements of the post.
- Preliminary screening, selection tests and employment interview are distinct steps. A trade test measures existing skills and proficiency needed for a particular job, whereas an aptitude test measures the potential to learn.

Step 1: Identify preliminary screening **Preliminary screening:** The school "examined all the application forms and rejected the candidates who did not have the necessary qualifications". At this step, the selection manager eliminates unqualified or unsuitable applicants using the information supplied in the applications. Only those meeting the minimum requirements proceed further. The newspaper advertisement attracted applicants and belongs to recruitment; screening them begins the selection process described here.

Step 2: Explain the selection test and employment interview **Selection tests:** A test was conducted "to measure the existing skills of the candidates". Such tests provide an objective basis for comparing relevant characteristics and assessing suitability for the teaching post.

Employment interview: The "formal in-depth conversation with the Principal of the school and a panel of Maths experts" is the employment interview. It assesses the applicant's suitability through direct interaction and allows the applicant to clarify relevant matters about the job and school. The panel can examine subject understanding and the ability to explain ideas. The case does not state that a final appointment has yet been made.

Step 3: Name and define the particular test The test is a **trade test**. It measures the existing level of skill, knowledge and proficiency in the occupation or job for which a candidate is being considered. Here it assesses the skills already possessed by applicants for the Maths teaching post. It is not an aptitude test, because the case refers to existing skills rather than the potential to acquire new skills through training.

Step 4: Conclusion (a) The selection steps performed are preliminary screening, selection tests and employment interview. (b) The specific test is a trade test, which measures existing occupational skills and proficiency.

Quick Tip to Solve: Match "qualifications checked" with screening, "existing skills" with a trade test, and "formal in-depth conversation" with an employment interview.

16. Financial market is a market for creation and exchange of financial assets. It helps to link the savers with the investors and directs available funds into their most productive investment opportunity. It also facilitates easy purchase and sale of financial assets through the stock exchange. The stock exchange not only facilitates buying and selling of existing securities but also educates public about how their investments in the financial market can yield good returns.

(a) State two functions performed by financial market in the above case.

(b) Explain two more functions of the stock exchange, other than those stated in the above case.

[4 marks]

Solution:

Concept:

- Financial markets connect savers who supply funds with businesses and other investors who require funds. They allocate financial resources towards productive investment opportunities.
- A stock exchange is the organised secondary market for existing securities. In addition to providing liquidity and spreading equity investment, it contributes to price determination and the safety of transactions.

Step 1: State the two financial-market functions indicated **Mobilisation of savings and channelising them into the most productive uses:** The statement that the market "link[s] the savers with the investors" and directs funds into their "most productive investment opportunity" identifies this function. The market transfers savings from those having surplus funds to those requiring them, thereby helping productive investment.

Providing liquidity to financial assets: The words "facilitates easy purchase and sale of financial assets through the stock exchange" identify liquidity. Investors can convert their existing financial investments into cash by selling securities in the secondary market, without requiring the issuing

company to repay the investment immediately.

Step 2: Explain stock-exchange price determination **Pricing of securities:** The forces of demand and supply operating in a stock exchange help determine the prices of securities. Continuous trading and publicly available quotations provide information about their market value. These prices guide investors in deciding whether and when to buy or sell, and help companies and other market participants assess the value placed on securities. This is an additional function beyond buying and selling facilities and investor education already described in the case.

Step 3: Explain the safety of stock-exchange transactions **Safety of transactions:** Dealings take place within an established legal and regulatory framework and under the exchange's prescribed rules. Companies whose securities are traded must comply with applicable requirements, and trading members must follow the rules governing transactions. This framework promotes fair dealing and protects investors against malpractices. It does not mean that the exchange guarantees profits or eliminates the ordinary risk of a fall in a security's market price.

Step 4: Conclusion (a) The financial-market functions are mobilisation and productive channelisation of savings, and provision of liquidity. (b) Two additional stock-exchange functions are pricing of securities and ensuring safety of transactions within its regulated framework.

Quick Tip to Solve: For part (b), avoid repeating liquidity or investor education from the case; choose other stock-exchange functions and explain how each operates.

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17. In an environment of rising petroleum prices and a large middle class population in India, KV Motors Ltd. recognized the need for small cars in India. It created a product far superior than their competitors not only in terms of quality but also in terms of overall driving experience. It soon became the leader in the small car market. As the Indian government was encouraging foreign investment, MNCs having a big name in car manufacturing entered the Indian market.

KV Motors further expanded its service network and quality creating an entry barrier for the competitors. It depicted its strengths through various brand-building activities. As a result, the market share of KV Motors is refusing to go down in spite of all major automakers as its competitors.

(a) Identify the economic reforms highlighted in the above case.

(b) Quoting the lines, explain any two points of importance of Business Environment being highlighted in the above case. [4 marks]

Solution:

Concept:

- Business Environment includes the external economic, social, political, legal and technological forces that affect a firm's decisions and performance. Recognising changes in these forces helps a business respond before its rivals.
- Liberalisation reduces unnecessary controls and restrictions on business, including restrictions on foreign investment. Globalisation integrates the national economy with the world economy through cross-border flows of goods, capital, technology and enterprises.

Step 1: Identify the reforms in part (a) **Liberalisation and globalisation:** The words "the Indian gov-

ernment was encouraging foreign investment" indicate liberalisation of the investment environment. The resulting entry of "MNCs having a big name in car manufacturing" into the Indian market reflects globalisation, as foreign enterprises participate in the domestic economy. There is no transfer of a government enterprise to private ownership in the case, so privatisation is not the reform illustrated.

Step 2: Explain identification of opportunities and the first-mover advantage **Opportunity identification:** The relevant lines are "KV Motors Ltd. recognized the need for small cars in India" and "It soon became the leader in the small car market." Rising petroleum prices and a large middle class created an opportunity for small cars. By understanding these external conditions and developing a superior product early, KV Motors obtained a first-mover advantage and established its market position before competitors could exploit the opportunity.

Step 3: Explain identification of threats and early warning signals **Threat identification:** The case says that MNCs "entered the Indian market" and that "KV Motors further expanded its service network and quality creating an entry barrier for the competitors." Environmental awareness alerted KV Motors to the threat of strong foreign competitors. It prepared its response by improving service and quality and undertaking brand-building activities, which helped protect its market share instead of waiting for competition to cause a decline.

Step 4: Conclusion The case reflects liberalisation of foreign investment and the consequent globalisation of the Indian car market. It demonstrates that understanding the Business Environment helps a firm identify opportunities and gain a first-mover advantage, and identify threats early enough to prepare an effective response.

Quick Tip to Solve: For a case-based environment answer, pair each NCERT importance point with the exact case words showing an opportunity or a threat, and then explain the firm's response.

18(a). Differentiate between Money Market and Capital Market on the following basis :

(a) Expected return

(b) Safety

(c) Liquidity

(d) Instruments [4 marks]

Solution:

Concept:

- The money market deals in short-term financial assets with a maturity of up to one year. It meets temporary funding needs and provides an avenue for investing short-term surplus funds.
- The capital market deals in medium- and long-term funds through instruments such as shares and debentures. The longer investment period and greater exposure to changes in business conditions affect its return, risk and liquidity.

Step 1: Compare return and safety The distinction is relative: higher expected return does not mean a guaranteed return, and greater safety does not make an instrument entirely risk-free.

Basis	Money market	Capital market
Expected return	Expected returns are generally lower because funds are invested for a short period.	Expected returns are generally higher, with possible dividends, interest and capital gains over a longer period.
Safety	Instruments are comparatively safer, owing to short maturities and the financial standing of major issuers.	Instruments are relatively riskier because longer-term commitments face business risk, market-price fluctuations and, where applicable, default risk.

Step 2: Compare liquidity and instruments Liquidity refers to the ease and speed of converting an asset into cash with little loss of value. Both markets can provide liquidity, but the degree differs.

Basis	Money market	Capital market
Liquidity	Instruments have a higher degree of liquidity because of their short maturity and arrangements for their conversion into cash.	Securities are considered liquid when traded on an active stock exchange, but their liquidity is generally lower than that of money-market instruments.
Instruments	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills.	Equity shares, preference shares, debentures and bonds.

Step 3: Conclusion The money market generally offers lower expected returns, greater safety and greater liquidity through short-term instruments. The capital market generally offers higher expected returns with greater risk through shares and long-term debt securities.

Quick Tip to Solve: Start from maturity: short-term money-market commitments explain their lower return, greater safety and higher liquidity. Use shares and debentures as capital-market examples.

OR

18(b). Differentiate between Primary Market and Secondary Market on the following basis :

(a) Company involvement

(b) Price determinnation

(c) Location

(d) Capital formation [4 marks]

Solution:

Concept:

- The primary market is the new issues market, where a company raises funds by issuing new securities to investors for the first time.
- The secondary market deals in the purchase and sale of existing securities among investors. It provides liquidity to investments already made in the primary market.

Step 1: Identify the transaction in each market A fresh issue brings the issuing company and investors together, so the proceeds go to the company. In a resale, an existing holder transfers securities to another investor; the proceeds go to the selling investor. This difference explains both company involvement and the markets' different contributions to capital formation.

Step 2: Compare the four specified bases

Basis	Primary market	Secondary market
Company involvement	Securities are sold by the company to investors, directly or through intermediaries. The issuing company is involved.	Existing securities are exchanged between investors. The issuing company is not directly involved in the transaction.
Price determination	The price of a new issue is determined by the company's management, subject to the applicable issue mechanism and regulations.	The price is determined by the forces of demand and supply in the market.
Location	There is no fixed geographical location for the new issues market.	Trading takes place through recognised stock exchanges and their trading systems, which provide an organised market.
Capital formation	It directly promotes capital formation by channelising savings into new productive investment.	It contributes indirectly by providing liquidity and marketability, encouraging investors to buy new issues.

Step 3: Conclusion The primary market raises fresh funds for companies, whereas the secondary market enables investors to trade existing securities. Thus, fresh capital formation is direct in the primary market and supported indirectly through liquidity in the secondary market.

Quick Tip to Solve: Ask who receives the sale proceeds: the issuing company indicates a primary issue; an existing investor indicates a secondary-market trade.

19. Mudit Gupta set up 'Healthy Biscuits', a company manufacturing various kinds of biscuits like oat biscuits, soya biscuits, ragi biscuits and wholewheat biscuits. He knew that a customer would only pick up a small quantity of the product, so he did not want to invest in starting his own retail outlets. He planned to market the product at the 'In and Out' stores at various petrol pumps in the city though the other biscuit manufacturers were using other channels of distribution.

(a) Give the meaning of 'Channels of Distribution'.

(b) Name the factors that affected the determination of choice of channels and state how they will affect the choice of channel of distribution in the above case. [4 marks]

Solution:

Concept:

- Channels of distribution are the persons and institutions through which goods move from producers to consumers. They connect production with the place where customers can purchase the product.
- Channel choice depends on market, company, product, competitive and environmental factors. The relevant factors must be identified from the facts of the case rather than merely listed.

Step 1: Explain the meaning of channels of distribution A channel of distribution is the set of intermediaries, such as wholesalers and retailers, through which a product passes on its way from the producer to the ultimate consumer. Here, the 'In and Out' stores act as retail intermediaries: they make Healthy Biscuits available to customers without Mudit having to operate his own retail outlets.

Step 2: Link market and company factors to the case **Market factors—size of order:** The statement that a customer would 'only pick up a small quantity of the product' indicates small individual purchases. When customers buy in small quantities, a longer channel involving retailers is generally preferable. Retailers can serve many customers conveniently and break bulk into the small quantities they require.

Company factors—financial strength or funds available: Mudit 'did not want to invest in starting his own retail outlets'. Establishing a direct retail network requires substantial funds for premises, staff and operations. Using existing stores reduces the investment required in distribution, so this consideration favours an indirect channel through independent retailers.

Step 3: Explain the competitive factor **Competitive factors:** The case says that 'other biscuit manufacturers were using other channels of distribution'. A firm considers the channels used by competitors while choosing its own. It may follow them or deliberately choose a different route. Mudit chose the latter approach by marketing through 'In and Out' stores at petrol pumps, giving customers a different and convenient point of purchase. Competitors' channels are therefore a consideration, but they do not compel him to use the same channel.

Step 4: Conclusion Channels of distribution connect the producer with final consumers through intermediaries. In this case, small customer orders (market factors), the decision to avoid investment in owned outlets (company factors), and the channels used by rival manufacturers (competitive factors) shape the choice of existing 'In and Out' retail stores.

Quick Tip to Solve: Match each case clue to a factor: small purchases to market factors, funds for outlets to company factors, and rivals' distribution methods to competitive factors.

Section D (15 marks)

20. 'Newrange' is a chain of departmental stores in India with 56 outlets. It sells the best products at the lowest price. The Human Resource department takes care to select, train, motivate and retain the employees. Currently, it has 170 full time employees and 30 part time employees.

For top-level management, employees are recruited through private consultants. These professional recruiters can entice the needed top executives from other companies by making the right offers. Employees appointed at the entry level are recruited through walk-in. For that, a notice is placed on the notice board specifying the details of the jobs available. 'Newrange' also encourages present employees or their friends and relatives to refer candidates. They also visit some of the reputed educational institutions to hire some of the most talented and promising students as its employees.

'Newrange' shifts workforce from surplus departments to those where there is shortage of staff instead of laying them off.

Explain the various internal and external sources of recruitment used by 'Newrange' to recruit its employees. [5 marks]

Solution:

Concept:

- Recruitment searches for prospective employees and encourages them to apply. Internal sources fill vacancies from the existing workforce; external sources attract candidates from outside the organisation.
- The case uses four external sources and one internal source. Classify a source by where the candidate comes from, rather than by who suggests the candidate.

Step 1: Identify and explain the external sources **Management consultants:** The words "For top-level management, employees are recruited through private consultants" identify this source. These professional recruitment agencies locate suitable managerial talent and approach executives working elsewhere with attractive offers. It is appropriate for Newrange's specialised senior appointments.

Direct recruitment: The entry-level employees are recruited through "walk-in", with "a notice ... placed on the notice board specifying the details of the jobs available". Under direct recruitment, a notice announces vacancies and eligible job seekers present themselves for selection. It provides a direct way of attracting applicants for the available entry-level jobs.

Recommendations of employees: Newrange "encourages present employees or their friends and relatives to refer candidates". Candidates introduced through such recommendations come from outside the existing workforce, so this is an external source. Employees' knowledge of the organisation may help them recommend people suited to its requirements.

Campus recruitment: They "visit some of the reputed educational institutions to hire some of the most talented and promising students". Employers establish contact with colleges and other institutions to select suitable students before or around their graduation. This supplies Newrange with promising fresh talent.

Step 2: Identify and explain the internal source **Transfers:** Newrange "shifts workforce from surplus departments to those where there is shortage of staff instead of laying them off". Transfer moves an

existing employee from one job or department to another, ordinarily without a substantive change in status, responsibility or pay. It redistributes staff within the organisation and balances a surplus in one department against a shortage in another. Since the people are already employees, it is an internal source; the case does not describe promotion to a higher position.

Step 3: Conclusion Newrange uses management consultants, direct recruitment, recommendations of employees and campus recruitment as external sources, and transfers as its internal source of recruitment.

Quick Tip to Solve: Match each clue to a source: senior headhunting to consultants, a vacancy notice and walk-in to direct recruitment, referrals to recommendations, institutions to campus recruitment, and movement of existing staff to transfers.

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21. Since childhood Niru and Janak had been watching their grandmother procuring wheat from the market, washing it well, drying it and getting it converted into atta. They conducted a survey to collect data to identify whether there is demand for readymade atta and realised that with the growing number of working women, it is the need of the hour to manufacture high quality atta. They named their product 'Srijan' and set up 'Srijan Atta Factory' at Jaunpur Village. To penetrate in the market, they decided to keep the price low. For maintaining smooth flow of their product into the market and avoiding delays in delivery, it was decided to store wheat at SKM Services which had scientific processes and logistics facilitating quick delivery. They also set up an online complaint portal to take care of consumer grievances.

By quoting the lines from the above paragraph, state five marketing functions undertaken by Niru and Janak for successful marketing of 'Srijan' atta. [5 marks]

Solution:

Concept:

- Marketing performs several functions to understand customer needs, give a product a distinct identity, determine its price, preserve its availability and support consumers after purchase.
- A case-based answer should name the NCERT marketing function and connect it to the particular action described. Any five supported functions are required here.

Step 1: Connect market understanding and product identity to their functions **Gathering and analysing market information:** "They conducted a survey to collect data to identify whether there is demand for readymade atta and realised that with the growing number of working women, it is the need of the hour to manufacture high quality atta." They collected information about consumer needs and analysed it to identify a market opportunity. The survey guided their decision to supply convenient, high-quality readymade atta.

Branding: "They named their product 'Srijan'." Giving the product a distinctive name helps buyers identify it, distinguish it from competing atta and ask for it again. The product's name, rather than merely the name of the factory, establishes this function in the case.

Step 2: Identify the functions supporting purchase and continued availability **Pricing of product:** "To penetrate in the market, they decided to keep the price low." Pricing determines the amount a buyer must pay. Niru and Janak chose a low price to encourage initial purchases and enter the market; this

is a deliberate marketing decision about the product's price.

Storage or warehousing: "For maintaining smooth flow of their product into the market and avoiding delays in delivery, it was decided to store wheat at SKM Services which had scientific processes and logistics facilitating quick delivery." Storage preserves stocks and bridges the interval between production requirements and supply. The stated storage arrangement helps them maintain continuity and avoid delays, establishing the warehousing function.

Customer support services: "They also set up an online complaint portal to take care of consumer grievances." Handling complaints is a customer support service. The portal gives consumers a means to report problems and seek redressal, helping the business maintain customer satisfaction and develop repeat business.

Step 3: Conclusion The five marketing functions are gathering and analysing market information, branding, pricing of product, storage or warehousing, and customer support services. Each is supported by the corresponding quoted action in the case.

Quick Tip to Solve: For a marketing case, pair each function with its decisive verb: survey, name, price, store and handle complaints. A quotation followed by the exact function makes the link clear.

22(a). Explain any five characteristics of management. [5 marks]

Solution:

Concept:

- Management is the process of getting things done effectively and efficiently through people to achieve organisational objectives.
- Its characteristics explain the nature of managerial work across different organisations. Five characteristics are goal orientation, pervasiveness, multidimensionality, continuity and group activity.

Step 1: Explain the purpose and scope of management **1. Management is a goal-oriented process:** Every organisation exists to achieve certain stated objectives. Management unites the efforts of different individuals towards these common objectives, such as survival, profit and growth in a business. Managerial decisions and activities are directed towards achieving the desired results rather than merely keeping people busy.

2. Management is all pervasive: Management is needed in every type of organisation, whether economic, social or political. It is required in a business enterprise, hospital, school and other organisations, at every level and in every department. The activities and methods may differ with the situation, but the need to coordinate resources and achieve objectives is universal.

Step 2: Explain how managerial activity is carried out **3. Management is multidimensional:** It involves the management of work, people and operations. Work must be translated into goals and the means of achieving them; people must be guided both as individuals and as a group; and operations must transform inputs into the desired output. These dimensions are closely connected and must be managed together.

4. Management is a continuous process: Management consists of interrelated functions such

as planning, organising, staffing, directing and controlling. Managers perform these functions continuously. As one objective is achieved, new objectives and problems arise, so managerial work does not end with one decision or one completed task.

5. Management is a group activity: An organisation consists of people with different needs and abilities who work together. Management enables them to contribute to a common purpose through teamwork and coordination. Individual efforts are linked with group goals so that the organisation functions as a united whole.

Step 3: Conclusion Management is goal-oriented, all pervasive, multidimensional, continuous and a group activity. These characteristics show how it directs collective effort and resources towards organisational objectives.

Quick Tip to Solve: For a characteristics question, name each characteristic first and then explain its meaning; distinguish the universal need for management from the continuous performance of its functions.

OR

22(b). What is meant by 'Coordination' ? Why is coordination important in an organization ? Explain.

[5 marks]

Solution:

Concept:

- Coordination is the process by which a manager synchronises the activities of different departments and individuals to achieve a common organisational goal.
- It binds together all managerial functions and ensures unity of action. Its importance arises from organisational growth, functional differentiation and specialisation.

Step 1: State the meaning of coordination Coordination integrates the efforts of different individuals and departments so that they work together towards the same organisational objectives. It gives a common direction to group effort and ensures that activities are performed in the required sequence and at the proper time. It is the force that binds all the functions of management together and is therefore called the essence of management.

For example, production and sales activities must be synchronised: production needs information about expected demand, while the sales department needs products available when customers require them. Merely performing each activity separately does not ensure achievement of the common goal.

Step 2: Explain why an organisation needs coordination **1. Growth in size:** As an organisation grows, the number of employees increases. Individuals differ in their background, attitudes and personal objectives, and interactions become more complex. Coordination integrates their efforts and helps reconcile personal interests with organisational goals. It ensures that all employees work towards a common purpose instead of pursuing unrelated aims.

2. Functional differentiation: An organisation is divided into departments such as production, finance, marketing and human resources. Each department has its own objectives, policies and ways of working and may concentrate on its own interests. Coordination links these interdependent activities, reconciles departmental differences and prevents the achievement of one department's goal

at the expense of the organisation as a whole.

3. Specialisation: Modern organisations employ specialists with expertise in particular fields. Specialists may consider themselves most competent to judge matters in their own area and may not readily accept advice from others. Coordination reconciles differences in their approach, integrates specialised knowledge and enables specialists to work as a team towards overall organisational objectives.

Step 3: Conclusion Coordination synchronises individual and departmental efforts to ensure unity of action. It is essential because growth, departmental divisions and specialised work create differences that must be integrated for the achievement of common goals.

Quick Tip to Solve: Remember the three NCERT reasons for coordination: growth in size, functional differentiation and specialisation. Explain the conflict each creates and how coordination resolves it.

Section E (18 marks)

23. Vishesh completed his MBA at a reputed business school in Lucknow. He was impressed by the Principles and Techniques of Scientific Management developed by F.W. Taylor. On completing his MBA, he wanted to apply Scientific Management in his family's business of fast food chain of restaurants named 'Burger Mania'.

His main goal was to reduce costs with increased output. To begin with, he wanted to develop a standard method which would be followed throughout the organisation. So, he investigated traditional methods through work study and unified the best practices. The standard method, i.e. the best way of doing the job was then developed taking into account all parameters right from the procurement of raw materials till the delivery of the final product to the customer. Vishesh also believed that each person should not only be scientifically selected but should also be given the required training to increase efficiency. For this, he set up a Special Training Unit called 'Hamburger' in Bengaluru where the workers were given the required training to learn the best method. At the factory, the ingredients making up a burger were strategically placed to reduce the time taken for excess movements. The standard time and other parameters were determined on the basis of work study and Vishesh rewarded the workers for meeting the standard output.

Now, 'Burger Mania' has standardised processes, raw material, time, machinery, product and working conditions that ensure that the food they send out to their customers has the same high standards of excellence and level of quality in every chain or franchise.

The application of Scientific Management to every aspect of restaurant operations led to 'Burger Mania's' widespread success.

Quoting the lines from the above, explain the Principles and Techniques of 'Scientific Management' used by 'Burger Mania'. [6 marks]

Solution:

Concept:

- Taylor's scientific management replaces untested customary practices with methods established by systematic observation and analysis, to increase efficiency and reduce costs.

- Its principles provide the guiding approach; techniques such as method, motion and time study and standardisation put that approach into practice.

Step 1: Identify the principles and connect them to the case

- **Science, not rule of thumb:** Vishesh "investigated traditional methods through work study and unified the best practices." Instead of allowing each worker to use a customary method, he scientifically examined how work should be performed. Systematic analysis replaces personal judgement or trial-and-error with a tested method that improves efficiency.
- **Development of each and every person to his or her greatest efficiency and prosperity:** The case says that "each person should not only be scientifically selected but should also be given the required training to increase efficiency." Taylor advocated selecting workers according to their abilities and training them in the best method. The special training unit, 'Hamburger', develops employees' skills so that both their performance and the organisation's productivity improve.

Step 2: Explain the work-study techniques used

- **Method study:** "The standard method, i.e. the best way of doing the job was then developed taking into account all parameters right from the procurement of raw materials till the delivery of the final product to the customer." Method study finds the single best way to perform a job after examining the entire sequence of operations. Here it establishes an efficient process from purchasing inputs to serving the customer, reducing costs and increasing output.
- **Motion study:** "The ingredients making up a burger were strategically placed to reduce the time taken for excess movements." Motion study examines workers' movements, identifies unnecessary movements and eliminates them. Placing ingredients conveniently reduces needless reaching or walking and enables the same task to be completed with less effort and time.
- **Time study:** "The standard time and other parameters were determined on the basis of work study." Time study determines the standard time required for a well-defined task by a worker of average skill and efficiency under specified conditions. It provides a basis for deciding workload, staffing requirements and suitable incentives. The reference to rewarding workers for standard output supports the use of the performance standard; it does not specify two wage rates.

Step 3: Explain how standardisation ensures uniform results

- **Standardisation of work:** The restaurant has "standardised processes, raw material, time, machinery, product and working conditions". Standardisation establishes benchmarks for every business activity, including material quality, equipment and operating methods. Following these standards across chains and franchises ensures uniform food quality and operating conditions, while reducing waste and avoidable variation.

Step 4: Conclusion Burger Mania applies science rather than rule of thumb and develops every worker, using method study, motion study, time study and standardisation of work to achieve efficient operations and consistent quality.

Quick Tip to Solve: Link each named principle or technique to a separate quoted clue: best method means method study, excess movements mean motion study, and standard time means time study.

24(a). Differentiate between 'Formal Organization' and 'Informal Organization' on any six bases.

[6 marks]

Solution:

Concept:

- A formal organisation is the deliberately designed structure of jobs, authority and responsibility through which an enterprise coordinates work to achieve its objectives.
- An informal organisation is the network of personal and social relationships that develops spontaneously when people interact at work. It exists within the formal organisation but is not prescribed by its organisation chart.

Step 1: Compare origin, authority and behaviour The following six bases distinguish the two organisations. The first three concern how they arise and how members are guided.

Basis	Formal organisation	Informal organisation
Origin	Created deliberately by management when jobs, departments and reporting relationships are defined.	Arises spontaneously from employees' interaction, friendship and common interests; management does not deliberately create it.
Authority	Arises from the official position occupied in the management hierarchy. A manager can issue instructions because of that position.	Arises from personal qualities and the acceptance of other members. An influential member may lead without holding a managerial post.
Behaviour	Guided by rules, procedures and policies prescribed by management for performing official work.	Guided by group norms, shared values and expectations developed by the members themselves.

Step 2: Compare communication, nature and leadership The remaining three bases explain how information moves, how definite the structure is and how leadership is assigned.

Basis	Formal organisation	Informal organisation
Flow of communication	Generally follows the prescribed chain of command and officially authorised channels of communication.	Does not follow a fixed official route; information spreads through the grapevine in any direction according to personal contacts.
Nature	Relatively rigid and clearly defined: duties, authority and reporting relationships are laid down explicitly.	Flexible and less clearly defined: relationships and group boundaries can change as personal interactions and interests change.
Leadership	Managers are appointed by management and occupy formally designated positions of leadership.	Leaders emerge from within the group and are accepted because of their influence, qualities or ability to satisfy group needs.

Step 3: Conclusion Formal and informal organisations differ in origin, source of authority, guidance of behaviour, communication, nature and leadership. The formal structure coordinates official tasks, while informal relationships develop naturally among the same employees.

Quick Tip to Solve: Use the same basis for both columns: compare position with personal acceptance, official rules with group norms, and the chain of command with the grapevine.

OR

24(b). Explain any four limitations of planning function of management. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what to do, how to do it, when to do it and who should do it. It provides direction, but it cannot remove every uncertainty or guarantee success.
- NCERT identifies practical limitations arising from fixed plans, a changing environment, restricted initiative and the resources needed to formulate plans. Any four limitations must be explained, rather than merely named.

Step 1: Explain rigidity and environmental change

- **Planning leads to rigidity:** A well-defined plan specifies the course of action and the time within which objectives must be achieved. Employees may then follow the prescribed course even when circumstances require a different response. Managers can find it difficult to alter an established plan, so excessive adherence to it reduces the flexibility needed in actual operations.
- **Planning may not work in a dynamic environment:** Business conditions change through economic, political, legal, technological and social developments. Plans rely on forecasts and assumptions about these conditions. Unexpected changes can make those assumptions incorrect and the planned course unsuitable. Planning cannot fully anticipate every such development or control external forces.

Step 2: Explain restrictions on initiative and the cost involved

- **Planning reduces creativity:** Planning is generally undertaken by top management, while other employees implement the plans. If subordinates are expected simply to carry out decisions already made, they have less opportunity to use their own judgement or suggest new ways of working. Such dependence on the prescribed plan can suppress initiative and creative thinking at lower levels.
- **Planning involves huge costs:** Collecting information, conducting surveys, analysing alternatives and obtaining expert advice require money and managerial effort. These expenses are incurred before the plan produces results. Management must therefore compare the expected benefits of planning with its cost; extensive planning that does not yield sufficient benefits can become a burden on the organisation.

Step 3: Conclusion Four limitations of planning are rigidity, difficulty in coping with a dynamic environment, reduction in creativity and high cost. They explain why plans require sound judgement and suitable revision during implementation, even though planning remains an essential management function.

Quick Tip to Solve: For each limitation, state the NCERT heading and then show how it creates a practical difficulty. Explain four fully instead of listing many unexplained headings.

25. Three friends, Rajat, Raman and Ansh, after completing their MBA from a reputed business school at Mumbai, were discussing about the type of organisation they would like to join. Rajat was very clear that he would like to take up a government job as it gives stability about the future income and work which will help him to work with greater zeal. It will also provide him pension when he will retire from his service.

Raman wanted to work in a company, which has appropriate skill development plans for its employees and helps the employees to grow to higher levels in the organisation. In addition to this, the company should also provide facilities like housing, medical aid, etc.

Ansh said that he would prefer to work in an organisation, which has the culture of individual autonomy, is considerate to employees and provides the employees with opportunity for personal growth and a meaningful work experience.

(a) Identify the various financial and non-financial incentives discussed by the three friends in the above conversation.

(b) Explain three other non-financial incentives which were not discussed by any one of them.

[6 marks]

Solution:

Concept:

- Incentives stimulate employees to improve performance. Financial incentives can be measured in monetary terms, while non-financial incentives satisfy needs such as security, advancement, recognition, responsibility and participation.
- In a case question, identify each incentive from the precise benefit described. One friend's preference may contain more than one incentive; classify each benefit separately rather than assigning only one name to that friend.

Step 1: Identify Rajat's and Raman's incentives

- **Rajat – job security (non-financial):** His preference for a government job because it gives "stability about the future income and work" indicates security of employment. Confidence that employment will continue reduces anxiety and encourages him to work with greater zeal.
- **Rajat – retirement benefits (financial):** The statement that it will provide him "pension when he will retire" identifies retirement benefits. Pension provides monetary support after retirement.
- **Raman – career advancement opportunity (non-financial):** The company has "appropriate skill development plans" and helps employees "grow to higher levels". Training and opportunities for promotion satisfy employees' needs for advancement and encourage improvement in performance.
- **Raman – perquisites (financial):** The facilities of "housing, medical aid, etc." are perquisites provided in addition to regular pay. Although some are supplied as services or facilities, their value can be measured in monetary terms.

Step 2: Identify the incentives in Ansh's preference

- **Organisational climate (non-financial):** The "culture of individual autonomy" and an organisation that "is considerate to employees" point to a favourable organisational climate. These characteristics influence the way employees perceive the organisation and their willingness to contribute.
- **Job enrichment (non-financial):** The opportunity for "personal growth and a meaningful work

experience" points to job enrichment. Enriched jobs offer greater responsibility, autonomy and challenging or meaningful work, making the work itself more satisfying.

Step 3: Explain three other non-financial incentives

- **Status:** Status means the ranking of a position in the organisation. Authority, responsibility, recognition and the privileges attached to a position indicate its status. A position that commands respect and prestige satisfies an employee's esteem needs and motivates better performance.
- **Employee recognition programmes:** Recognition means acknowledging and appreciating an employee's contribution or good performance. Congratulating an employee publicly, giving a certificate or displaying an outstanding achievement makes the employee feel valued. Recognition should be timely and linked to the achievement so that it reinforces the desired behaviour.
- **Employee participation:** Involving employees in decisions concerning their work gives them a sense of belonging and responsibility. For example, employees may contribute suggestions through committees or joint discussions. Being heard and having a role in decisions improves commitment to implementing those decisions.

Step 4: Conclusion The conversation covers job security, retirement benefits, career advancement opportunity, perquisites, organisational climate and job enrichment. Retirement benefits and perquisites are financial incentives; the remaining identified incentives are non-financial. Status, employee recognition programmes and employee participation are three other non-financial incentives.

Quick Tip to Solve: Match each benefit to its own textbook term: pension to retirement benefits, housing to perquisites, promotion to career advancement, and meaningful work to job enrichment. Financial incentives include benefits in kind with a monetary value.