CBSE Class 12 Business Studies Question Paper 2023 with Solution PDF-Set 66/1/3

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 **34** questions. **All questions are compulsory.**
(ii) Marks are indicated against each question.
(iii) Answers should be brief and to the point.
(iv) Answers to questions carrying **3** marks may be from **50 to 75** words.
(v) Answers to questions carrying **4** marks may be in about **150** words.
(vi) Answers to questions carrying **6** marks may be in about **200** words.
(vii) Attempt all parts of a question together.

*Questions **1 to 20** are Multiple Choice Questions (MCQs), carrying **1 mark** each.* $20 \times 1 = 20$

1. Which of the following statements does not highlight the importance of financial planning ?

[1 mark]

(A) Detailed plans of action prepared under financial planning increase waste, duplication of efforts and gaps in planning.

(B) It helps in forecasting what may happen in future under different business situations.

(C) It provides a link between investment and financing decisions on a continuous basis.

(D) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.

Correct Answer: (A) Detailed plans of action prepared under financial planning increase waste, duplication of efforts and gaps in planning.

Solution:

Concept:

- Financial planning estimates the funds required and decides their sources so that business activities can proceed smoothly.
- Coordinated financial plans reduce waste, duplication of effort and gaps in planning; they also connect investment and financing decisions.

Step 1: Identify the negative demand The question asks which statement does not express an advantage of financial planning. Option (A) says that detailed plans increase waste, duplication and gaps. This reverses their actual benefit: clearly coordinated plans reduce these problems.

Step 2: Check the other statements Option (B) is an advantage because financial forecasts prepare the firm for different future situations. Option (C) is valid because investment needs and financing arrangements must be linked continuously. Option (D) is also valid because advance preparation reduces business shocks and surprises. Thus none of these three satisfies the negative wording.

Step 3: Conclusion The statement that financial plans increase waste, duplication and gaps does not highlight their importance. Hence, the correct option is (A).

Quick Tip to Solve: Underline words such as “does not” first; then look for the statement that reverses a recognised benefit.

2. 'Roma Ltd.' identified the needs of the customers for the successful marketing of their products. This was important for making an analysis of the available opportunities, threats, weaknesses and strengths of the organisation and help in deciding what opportunities can best be pursued by it. By doing so, which of the following functions of marketing is being performed by 'Roma Ltd.' ?

[1 mark]

(A) Standardisation and grading

(B) Product designing and development

(C) Marketing planning

(D) Gathering and analysing market information

Correct Answer: (D) Gathering and analysing market information

Solution:

Concept:

- Marketing begins with gathering and analysing information about customers, competitors and the business environment.
- This information reveals customer needs and helps evaluate opportunities, threats, strengths and weaknesses before choosing suitable opportunities.

Step 1: Match the case to the function Roma Ltd. has 'identified the needs of the customers' and used this to analyse 'opportunities, threats, weaknesses and strengths'. These are clues to collecting and analysing market information, which supplies the basis for sound marketing decisions.

Step 2: Eliminate the other functions Standardisation and grading establish quality specifications and classify products; no such activity is stated. Product designing and development concern the features and form of a product, rather than environmental analysis. Marketing planning sets objectives and programmes to attain them; the case instead describes the information-gathering stage that informs such plans.

Step 3: Conclusion Roma Ltd. is performing the function of gathering and analysing market information. Hence, the correct option is (D).

Quick Tip to Solve: Customer-needs research and an analysis of opportunities or threats point to market information; distinguish this from setting a marketing plan.

3. _____ refers to the downward transfer of authority from a superior to a subordinate.

[1 mark]

(A) Organising

(B) Decentralisation

(C) Accountability

(D) Delegation

Correct Answer: (D) Delegation

Solution:

Concept:

- Delegation is the downward transfer of authority from a superior to a subordinate so that assigned tasks can be carried out.
- Authority can be delegated, but a superior remains accountable for the results of work entrusted to subordinates.

Step 1: Recognise the definition The decisive words are "downward transfer of authority between a superior and a subordinate. This describes delegation: a manager entrusts work and grants the authority needed to perform it to a subordinate.

Step 2: Distinguish the alternatives Organising is the broader process of identifying activities, grouping them and establishing reporting relationships. Decentralisation is the systematic dispersal of decision-making authority throughout organisational levels; it extends beyond an individual act of delegation. Accountability is the obligation to answer for results, rather than the transfer of authority. Therefore these options do not match the definition as directly as delegation.

Step 3: Conclusion The downward transfer of authority from a superior to a subordinate is delegation. Hence, the correct option is (D).

Quick Tip to Solve: Associate an individual superior-to-subordinate transfer with delegation; systematic organisation-wide dispersal indicates decentralisation.

4. During the Covid-19 pandemic, the restaurant industry faced many challenges. The slowdown led to huge decrease in demand. From April 2022, the effect of Covid started reducing. The economy started picking up and a boom was noticed in the restaurant industry. As a result, larger amount of working capital was required with increased production and sales.

The factor affecting the working capital requirement discussed above is : [1 mark]

(A) Seasonal factor

(B) Production cycle

(C) Operating efficiency

(D) Business cycle

Correct Answer: (D) Business cycle

Solution:

Concept:

- Working capital finances day-to-day operations such as inventories, wages and credit sales.
- Business-cycle conditions influence working capital: a boom increases production and sales and usually increases the funds tied up in current assets.

Step 1: Identify the economic change The case moves from a 'slowdown' with falling demand to a situation in which 'the economy started picking up and a boom was noticed'. These are phases of the business cycle. Increased production and sales during the boom create a greater working-capital requirement.

Step 2: Reject unrelated factors A seasonal factor concerns predictable variations during particular seasons, not the stated economy-wide recovery. The production cycle is the time taken to convert inputs into finished goods; no change in that duration is mentioned. Operating efficiency concerns how effectively resources and current assets are used; the case does not attribute the increase to altered efficiency.

Step 3: Conclusion The factor affecting working capital is the business cycle. Hence, the correct option is (D).

Quick Tip to Solve: Words such as slowdown, recovery and boom identify the business cycle; seasonal demand refers to a recurring part of the year.

5. Adapting to a change in consumer preference towards online shopping, 'Fast-Service' started a grocery delivery app. It is a platform that ensures 10-minute deliveries of groceries. Because of this service, 'Fast-Service' earned huge profit within a year. It planned to expand its operations and decided to raise funds by directly issuing its securities to investors.

The market through which 'Fast-Service' has decided to raise funds for its expansion is : [1 mark]

(A) Money market

(B) Primary market

(C) Secondary market

(D) Both Primary and Secondary markets

Correct Answer: (B) Primary market

Solution:

Concept:

- The primary market is the market for new securities issued by companies to investors to raise fresh capital.
- The secondary market enables investors to trade existing securities; a resale there does not provide fresh issue proceeds to the company.

Step 1: Use the funding clue Fast-Service wants to expand and will raise funds by 'directly issuing its securities to investors'. The company is making a new issue, so funds flow from investors to the issuer. That is the essential transaction of the primary market.

Step 2: Compare the other markets The money market deals in short-term funds and instruments, and does not describe the stated new-securities route for expansion. The secondary market trades securities already issued between investors. Option (D) incorrectly includes that resale market even though the case describes only direct issuance. The earlier discussion of online shopping explains the business opportunity, not a second market transaction.

Step 3: Conclusion Fast-Service will raise the funds through the primary market. Hence, the correct option is (B).

Quick Tip to Solve: Trace who receives the money: a fresh issue pays the company and belongs to the primary market; resale pays the selling investor.

6. 'Capital Market instruments are riskier both with respect to returns and principal repayment as compared to Money Market instruments.'

This highlights the following point of difference between 'Capital Market' and 'Money Market' :

[1 mark]

(A) Instruments

(B) Duration

(C) Safety

(D) Liquidity

Correct Answer: (C) Safety

Solution:

Concept:

- Safety refers to the risk associated with an investment, including uncertainty about returns and recovery of the principal.
- Capital-market instruments generally involve greater risk than money-market instruments, which are usually short-term and relatively safer.

Step 1: Identify what is being compared The statement expressly compares the risk of returns and principal repayment. A comparison about whether income and the invested amount will be recovered is a comparison of safety. Greater risk means lower relative safety.

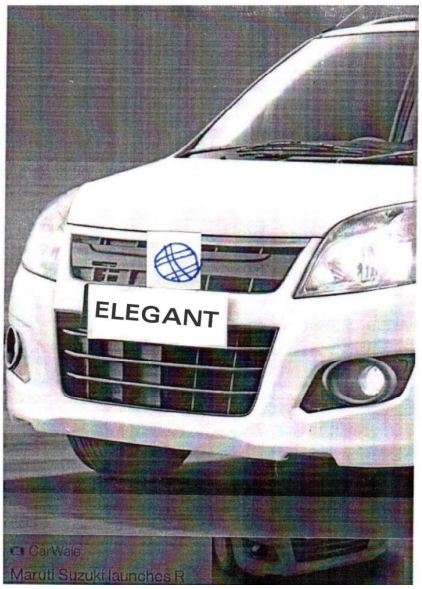
Step 2: Eliminate the other bases The instruments basis compares types of securities, such as shares and debentures with treasury bills or commercial paper. Duration compares the maturity or period for which funds are provided. Liquidity concerns ease of conversion into cash. None of those is the point directly expressed by the words "riskier and "principal repayment, even though these market features may be related in practice.

Step 3: Conclusion The statement highlights safety as the point of difference between capital and money markets. Hence, the correct option is (C).

Quick Tip to Solve: Risk to returns or principal signals safety; ease of sale signals liquidity, and maturity signals duration.

7. The symbol which appears on all the 'Elegant' cars and which is not utterable is known as its :

[1 mark]



(A) Brand

(B) Brand name

(C) Brand mark

(D) Trade mark

Correct Answer: (C) Brand mark

Solution:

Concept:

- A brand helps identify and distinguish a seller's goods; it can contain a name, term, symbol or design.
- A brand name is the part that can be spoken, whereas a brand mark is the recognisable symbol or design that cannot be uttered.

Step 1: Apply the defining feature The question identifies a symbol on Elegant cars and explicitly states that it is 'not utterable'. The visual symbol can be recognised but cannot itself be spoken as a word. This is the defining feature of a brand mark.

Step 2: Distinguish the other terms Brand is the wider identifying concept that includes both verbal and visual elements. A brand name is utterable, so it contradicts the clue. A trade mark is a brand or part of a brand given legal protection through registration; the case supplies no fact about registration and asks about the non-utterable element itself. Thus brand mark is the precise answer.

Step 3: Conclusion The non-utterable symbol is the brand mark of the cars. Hence, the correct option is (C).

Quick Tip to Solve: Ask whether the identifying element can be spoken: a word is a brand name; a recognisable symbol or design is a brand mark.

8. 'A good physical distribution system should provide for an accurate and speedy processing of orders in the absence of which goods will reach the customers late or in wrong quantity.'

The component of physical distribution highlighted above is : [1 mark]

(A) Warehousing

(B) Order Processing

(C) Transportation

(D) Inventory Control

Correct Answer: (B) Order Processing

Solution:

Concept:

- Physical distribution concerns making goods available at the correct place and time, in the required quantity.
- Order processing is the accurate and speedy handling of customer orders so that the goods supplied correspond to the orders received.

Step 1: Identify the decisive words The statement expressly requires 'an accurate and speedy processing of orders'. It also explains that errors or delays lead to goods reaching customers late or in the wrong quantity. These clues directly identify order processing.

Step 2: Distinguish the other components Warehousing stores goods until they are required. Transportation physically moves them from one location to another. Inventory control determines the stock level to maintain. These functions support distribution, but none specifically describes receiving and processing orders accurately.

Step 3: Conclusion The component highlighted is order processing. Hence, the correct option is (B).

Quick Tip to Solve: Connect accuracy and speed in handling customer orders with order processing; connect storage with warehousing.

9. _____ involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public. [1 mark]

(A) Personal selling

(B) Public relations

(C) Sales promotion

(D) Advertising

Correct Answer: (B) Public relations

Solution:

Concept:

- Public relations comprises programmes designed to promote or protect the image of a company and its products in the eyes of the public.
- The focus of public relations is favourable public opinion and goodwill, extending beyond an

immediate sales transaction.

Step 1: Match the definition The phrases 'a variety of programmes' and 'promote or protect a company's image' describe public relations. Such programmes build understanding and a favourable attitude towards the organisation and its individual products.

Step 2: Eliminate the alternatives Personal selling involves direct interaction with prospective buyers. Sales promotion offers short-term incentives such as discounts or free samples. Advertising is a paid, non-personal presentation by an identified sponsor. Each is a promotion tool, but none is the broad image-protection function defined here.

Step 3: Conclusion The blank should be filled with public relations. Hence, the correct option is (B).

Quick Tip to Solve: When a definition stresses public image, goodwill or protecting reputation, look for public relations.

10. 'Coordination integrates the efforts of different departments and at different levels.' Identify the characteristic of coordination highlighted in the above statement. [1 mark]

(A) Coordination ensures unity of action.

(B) Coordination is an all pervasive function.

(C) Coordination is a deliberate function.

(D) Coordination is the responsibility of all managers.

Correct Answer: (B) Coordination is an all pervasive function.

Solution:

Concept:

- Coordination is an all pervasive function because it is necessary in all departments and at every level of management.
- Its features must be identified from the particular emphasis of the statement: scope, unity of action, deliberate effort or managerial responsibility.

Step 1: Locate the scope in the statement The words 'different departments and at different levels' show that coordination extends throughout the organisation. Production, finance and other departments, as well as different managerial levels, require their efforts to be integrated.

Step 2: Compare the remaining features Unity of action stresses a common direction for collective effort. A deliberate function stresses conscious managerial effort rather than spontaneous cooperation. Responsibility of all managers identifies who must coordinate. Although all are valid features, the reference to departments and levels specifically establishes its all pervasive nature.

Step 3: Conclusion The highlighted characteristic is that coordination is an all pervasive function. Hence, the correct option is (B).

Quick Tip to Solve: Use the words departments and levels as the clue for all pervasive; use common direction as the clue for unity of action.

11. The process of defining and grouping the activities of the enterprise and establishing authority relationship among them is : [1 mark]

(A) Directing

(B) Staffing

(C) Management

(D) Organising

Correct Answer: (D) Organising

Solution:

Concept:

- Organising identifies and groups work, assigns duties and establishes authority and reporting relationships.
- It creates a structure through which people and resources can work together to implement organisational plans.

Step 1: Match the activities to the function Defining and grouping the activities of an enterprise and establishing authority relationships are the central tasks of organising. They specify how work is divided and how the individuals performing it are related within the structure.

Step 2: Rule out the other choices Directing guides, motivates, supervises and leads employees while work is performed. Staffing obtains and develops suitable personnel for organisational positions. Management is the wider process that includes planning, organising, staffing, directing and controlling; it is not the specific function defined in the question.

Step 3: Conclusion The process described is organising. Hence, the correct option is (D).

Quick Tip to Solve: Grouping activities and establishing authority relationships identify organising; filling the resulting positions identifies staffing.

12. Which of the following are the examples of Legal Environment ?

(i) Advertisement of alcoholic beverages is prohibited

(ii) Decrease in interest rate on loans

(iii) Increase in demand for organic foods

(iv) Digilockers for storing documents

(v) In 1993, the Supreme Court passed an order to close the iron foundries around 'Taj Mahal' at Agra [1 mark]

(A) (i) and (iv)

(B) (i) and (ii)

(C) (ii) and (iii)

(D) (i) and (v)

Correct Answer: (D) (i) and (v)

Solution:

Concept:

- The legal environment comprises laws, regulations and judicial decisions that prescribe or restrict business conduct.
- Economic, social and technological changes belong to other dimensions even though they can also influence business decisions.

Step 1: Classify the legal examples Item (i), 'Advertisement of alcoholic beverages is prohibited', is a legal restriction on promotion. Item (v), the Supreme Court's order closing iron foundries around the Taj Mahal, is a judicial direction. Both determine what businesses may legally do.

Step 2: Exclude the other dimensions Item (ii), a decrease in loan interest rates, concerns the economic environment. Item (iii), increased demand for organic food, reflects changing preferences in the social environment. Item (iv), digilockers for storing documents, illustrates a technological development. Thus the combinations containing (ii), (iii) or (iv) do not give the two legal examples asked for.

Step 3: Conclusion The examples of the legal environment are (i) and (v). Hence, the correct option is (D).

Quick Tip to Solve: Classify a prohibition or court order as legal; interest rates, preferences and digital tools point to other dimensions.

13. Which of the following is not a step in the process of 'Controlling' function of management ?

[1 mark]

(A) Setting performance standards

(B) Assignment of duties

(C) Taking corrective action

(D) Comparing actual performance with standards

Correct Answer: (B) Assignment of duties

Solution:

Concept:

- Controlling measures actual performance, compares it with standards, analyses deviations and takes corrective action.
- Assignment of duties belongs to organising, where work is allocated to individuals and authority relationships are established.

Step 1: Identify the step outside controlling The question asks which activity is not a controlling step. Assignment of duties allocates work before its execution and establishes who performs it; it is part of organising rather than checking results against standards.

Step 2: Verify the genuine controlling steps Setting performance standards supplies the benchmarks for evaluation. Comparing actual performance with standards reveals deviations. Taking corrective action addresses deviations so that objectives can be achieved. Therefore options (A), (C) and (D) all belong to controlling and cannot answer this negatively worded question.

Step 3: Conclusion Assignment of duties is not a step in the controlling process. Hence, the correct option is (B).

Quick Tip to Solve: Underline not in a process question: assigning work is organising, whereas comparing results and correcting deviations is controlling.

14. Statement I : Management is multi-dimensional.

Statement II : The activities involved in managing an enterprise are common to all organisations whether economic, social or political.

Choose the correct option from the options given below :

[1 mark]

(A) Statement I is true and II is false.

(B) Statement II is true and I is false.

(C) Both the statements are false.

(D) Both the statements are true.

Correct Answer: (D) Both the statements are true.

Solution:

Concept:

- Management is multi-dimensional: it involves the management of work, people and operations.

- Management is all pervasive: its basic activities are common to organisations with economic, social or political objectives.

Step 1: Evaluate Statement I Statement I is true. Management does not deal with only one aspect of an enterprise. It coordinates the work to be completed, the people performing it and the operations that transform inputs into desired outputs. These dimensions justify describing it as multi-dimensional.

Step 2: Evaluate Statement II and select the combination Statement II is also true. All organisations require basic management activities such as planning, organising and controlling, although their objectives and particular practices may differ. This is the all pervasive nature of management. Option (A) wrongly rejects Statement II, option (B) wrongly rejects Statement I, and option (C) rejects both true statements.

Step 3: Conclusion Both Statement I and Statement II are true. Hence, the correct option is (D).

Quick Tip to Solve: Remember the distinction: work, people and operations show multiple dimensions; applicability to all organisations shows pervasiveness.

15. Umang was working as a 'Production Manager' at 'LG Papers Ltd.' The company had launched new eco-friendly paper straws in the market. He was given a target of producing 5,000 straws a day, by the General Manager. In spite of making the employees work overtime, Umang could not meet the target.

On investigation, it was found that the employees had not received the right training to manufacture these eco-friendly paper straws. So the employees were sent for special training.

The function of management which helped Umang in identifying that he could not meet the target is : [1 mark]

(A) Planning

(B) Organising

(C) Directing

(D) Controlling

Correct Answer: (D) Controlling

Solution:

Concept:

- Controlling compares actual performance with established standards, identifies deviations and initiates corrective action.
- Investigating why a target was missed is part of controlling; training can then be used as the corrective measure.

Step 1: Identify the comparison with the standard The target of '5,000 straws a day' is the standard. Umang notices that actual production falls short of this target. The question specifically asks about identifying this failure, which requires comparing actual output with planned output.

Step 2: Distinguish controlling from the other functions The investigation finds that employees had not received the right training, and special training corrects the shortcoming. Planning sets the target;

organising allocates work and resources; directing guides and motivates employees. None describes the comparison and detection of the deviation as directly as controlling.

Step 3: Conclusion The function is controlling. Hence, the correct option is (D).

Quick Tip to Solve: When a case compares actual performance with a target and investigates a shortfall, identify controlling.

16. Match the various characteristics of Business environment given in Column I with their respective explanations in Column II :

Column I	*Column II*
A. Dynamic nature	**(i) Environment is a phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality.**
B. Complexity	**(ii) Business environment differs from country to country and even region to region.**
C. Relativity	**(iii) Business environment keeps on changing, whether in terms of technological improvement or shifts in consumer preferences.**

[1 mark]

(A) A–(iii), B–(ii), C– (i)

(B) A–(ii), B–(iii), C–(i)

(C) A–(iii), B–(i), C–(ii)

(D) A–(i), B–(ii), C–(iii)

Correct Answer: (C) A–(iii), B–(i), C–(ii)

Solution:

Concept:

- Dynamic nature means that the business environment keeps changing over time.
- Complexity concerns the difficulty of understanding the environment as a whole; relativity concerns differences across countries and regions.

Step 1: Match dynamic nature and complexity Dynamic nature matches (iii), which describes technological improvements and shifts in consumer preferences. Complexity matches (i): individual parts may be understood, but grasping the whole network of environmental forces is difficult.

Step 2: Match relativity and check each alternative Relativity matches (ii), because conditions differ from country to country and region to region. Thus A–(iii), B–(i), C–(ii) is the complete match. Option (A) interchanges complexity and relativity; (B) incorrectly links dynamic nature to geographical differences; (D) links dynamic nature to complexity and relativity to change.

Step 3: Conclusion The correct matching is A–(iii), B–(i), C–(ii). Hence, the correct option is (C).

Quick Tip to Solve: Use the keywords: changing means dynamic, difficult as a whole means complex, and differing by place means relative.

17. 'Management has its own vocabulary of terms and concepts. Managers need to communicate with one another with the help of a common vocabulary for the better understanding of their work situation.'

Which characteristic of 'Management as a Science' is highlighted in the above statement ? [1 mark]

(A) Principles based on experimentation

(B) Systematised body of knowledge

(C) Universal validity

(D) Personalised application

Correct Answer: (B) Systematised body of knowledge

Solution:

Concept:

- A science has a systematised body of knowledge consisting of organised principles and concepts.
- Management has its own theories, principles and common vocabulary, which give managers an organised basis for understanding work.

Step 1: Identify the clue in the statement The words 'its own vocabulary of terms and concepts' and 'common vocabulary' point to an organised collection of management knowledge. Managers can communicate about work because they use these shared terms and concepts.

Step 2: Eliminate the other characteristics Principles based on experimentation would require a reference to observation and testing, which is absent here. Universal validity concerns applicability across situations, rather than a common vocabulary. Personalised application is a characteristic of management as an art, referring to the individual manner of applying knowledge.

Step 3: Conclusion The characteristic is a systematised body of knowledge. Hence, the correct option is (B).

Quick Tip to Solve: Common terms, theories and concepts indicate a systematised body of knowledge; personal creativity indicates art.

18. _____ as an element of marketing mix includes the activities that make the firm's products available to the target customers. [1 mark]

(A) Promotion

(B) Place

(C) Product

(D) Price

Correct Answer: (B) Place

Solution:

Concept:

- The marketing mix comprises product, price, place and promotion.
- Place, or physical distribution, covers activities that make products available to target customers,

including distribution channels and physical movement.

Step 1: Identify the activity described The expression 'make the firm's products available to the target customers' describes distribution. Choosing intermediaries and arranging transportation, storage and inventory help goods reach customers at the appropriate place and time.

Step 2: Distinguish the remaining elements Promotion informs and persuades customers through communication. Product concerns the goods or services offered, including their features, quality and packaging. Price concerns the amount customers pay. Although all contribute to marketing, making the product available is specifically the role of place.

Step 3: Conclusion Place is the required element of the marketing mix. Hence, the correct option is (B).

Quick Tip to Solve: Link availability and distribution to place; link persuasion to promotion and the amount paid to price.

19. Sangeeta visited 'Smile Dental Clinic' for treatment of toothache. She observed that the receptionist was seated at the reception desk, the place fixed for her. Dental instruments were laid neatly in dental instrument trays and the used instruments were placed in the sterilisation area. There was a fixed place for everything and it was present there. There was no hindrance in the work of the dentist and she was working with her maximum efficiency.

The principle of management followed at the 'Smile Dental Clinic' was : [1 mark]

(A) Equity

(B) Discipline

(C) Order

(D) Initiative

Correct Answer: (C) Order

Solution:

Concept:

- Fayol's principle of order requires a place for everything and everyone, with everything and everyone in their designated places.
- Order includes material order for equipment and social order for people; it reduces wasted effort and supports efficient work.

Step 1: Connect the case details to order The receptionist is at 'the place fixed for her', instruments are neatly placed in trays, and used instruments are in the sterilisation area. The decisive line is 'There was a fixed place for everything and it was present there.' These arrangements illustrate both social and material order.

Step 2: Rule out the other principles Equity means fairness and kindness in treatment of employees. Discipline means obedience to rules and agreements. Initiative means encouraging employees to think out and execute plans. The case focuses on designated positions and locations, rather than fair treatment, obedience or employee suggestions.

Step 3: Conclusion The clinic follows the principle of order. Hence, the correct option is (C).

Quick Tip to Solve: For Fayol questions, a designated place for people and materials is the direct clue for order.

20. 'Alfanzo Ltd.' is achieving all its objectives in an effective and efficient manner. It is earning enough revenue to cover costs and the risks of the business. Now the company wants to increase the sales volume, the capital investment, the number of employees and the number of products also.

By doing this, the management wants to achieve its following objective : [1 mark]

(A) Survival

(B) Profit

(C) Personal

(D) Growth

Correct Answer: (D) Growth

Solution:

Concept:

- Organisational objectives include survival, profit and growth.
- Growth is reflected in expansion of business activities, such as higher sales, greater investment, more employees and a wider product range.

Step 1: Identify the intended expansion The company wants to 'increase the sales volume, the capital investment, the number of employees and the number of products'. These are measures of an increase in the size and scope of the business, so they indicate growth.

Step 2: Separate growth from the other objectives Survival concerns earning enough revenue to cover costs and continue operating. Profit provides a surplus necessary to cover risks and sustain business. These are mentioned as already being addressed. Personal objectives concern employees, such as fair remuneration and career development. The new aim is expansion of the company, rather than these individual needs.

Step 3: Conclusion The management wants to achieve growth. Hence, the correct option is (D).

Quick Tip to Solve: Look for expansion in sales, investment, workforce or products to identify the organisational objective of growth.

21(a). (i) Name the process of holding securities in an electronic form.

(ii) Name any two participants of Money Market.

(iii) Name the depositories that hold securities in electronic form. [3 marks]

Solution:

Concept:

- Financial Markets: dematerialisation replaces physical security certificates with electronic records, which can be held and transferred through the depository system.
- The money market deals in short-term funds and monetary assets with a maturity of up to one year. Its institutional participants differ from the depositories that maintain securities accounts.

Step 1: Name the electronic holding process **(i) Dematerialisation:** The process is called dematerialisation, commonly shortened to demat. Physical certificates are converted into electronic balances, and the investor holds the securities in a demat account. This avoids the need to handle paper certificates when securities are transferred.

Step 2: Name two money-market participants **(ii) Reserve Bank of India and commercial banks** are two participants of the money market. The RBI regulates monetary conditions and liquidity, while commercial banks borrow and lend short-term funds to manage their liquidity requirements. These are participants, rather than money-market instruments such as treasury bills or commercial paper.

Step 3: Name the Indian depositories **(iii) National Securities Depository Limited (NSDL)** and **Central Depository Services (India) Limited (CDSL)** are the two depositories. They hold securities in electronic form; investors generally access their services through registered depository participants.

Step 4: Conclusion The answers are: (i) dematerialisation; (ii) Reserve Bank of India and commercial banks; and (iii) NSDL and CDSL.

Quick Tip to Solve: Separate the three demands: demat is the process, RBI and banks are money-market participants, and NSDL and CDSL are depositories.

OR

21(b). State any three factors affecting the dividend decision. [3 marks]

Solution:

Concept:

- The dividend decision determines how much of the profit is distributed to shareholders and how much is retained in the business for future requirements.
- A company must consider both its ability to sustain a dividend and its ability to pay it in cash. Accounting profit and cash available for payment are related but distinct considerations.

Step 1: State the role of the amount of earnings **Amount of earnings:** Dividends are paid out of current and past earnings. Consequently, the amount of earnings is a major determinant of the dividend decision. Other things remaining the same, a company with higher earnings has greater scope to declare a higher dividend, whereas inadequate earnings limit the amount that can be distributed.

Step 2: Explain the importance of stable earnings **Stability of earnings:** A company whose earnings are relatively stable can predict its future earnings with greater confidence and is better placed to pay a higher dividend. A company with fluctuating earnings generally adopts a more conservative dividend policy so that a high payment in one period does not become difficult to maintain later.

Step 3: State the effect of the cash-flow position **Cash-flow position:** Payment of dividend involves an outflow of cash. A company must therefore have sufficient cash to meet this commitment. Even a profitable company may declare a lower dividend if its funds are tied up in other assets or if it needs cash for operations; a strong cash position supports dividend payment.

Step 4: Conclusion Three factors affecting the dividend decision are the amount of earnings, stability of earnings and the company's cash-flow position.

Quick Tip to Solve: Link each factor to its effect on dividend: available profit sets the scope, stable profit supports continuity, and cash makes payment possible.

22. Hitesh is the Chief Executive Officer of 'Kids Garments Ltd.' Due to festive season, Hitesh got an additional order of 10,000 garments which he had to supply within two days. Due to his goodwill in the market, he did not want to lose the order. So, he decided to achieve the target by operating on double shifts. He achieved the target and supplied the order within two days. But due to double shifts, his cost of production was higher than the regular production cost.

Identify and give the meaning of the two concepts of management discussed in the above para.

[3 marks]

Solution:

Concept:

- Effectiveness means doing the right task, completing activities and achieving the stated goals within the required time. It focuses on the end result.
- Efficiency means doing the task correctly with minimum cost and optimum use of resources. It compares the resources used with the output obtained.

Step 1: Identify effectiveness in the case **Effectiveness:** The case states that Hitesh "achieved the target and supplied the order within two days." His target was to deliver the additional 10,000 garments within that deadline. Since he completed the required output on time, he was effective. The test here is whether the intended objective was achieved, rather than how much it cost to achieve it.

Step 2: Identify the issue of efficiency **Efficiency:** The case says that "his cost of production was higher than the regular production cost" because of double shifts. Efficiency requires completing a task with minimum cost and optimum use of resources. The higher cost indicates that Hitesh did not achieve the target efficiently in the sense illustrated by the case: timely delivery was secured at the expense of cost economy.

Step 3: Connect the two concepts **Balance of results and resources:** Effectiveness and efficiency are distinct but complementary aims of management. Hitesh met the delivery objective, so he was effective; the additional production cost shows the weakness in efficiency. Good management seeks both timely achievement of the objective and economical use of the resources needed for that

achievement.

Step 4: Conclusion The two concepts are effectiveness and efficiency. Hitesh was effective because he delivered the order on time, but was not efficient as described in the case because production cost exceeded the regular cost.

Quick Tip to Solve: Use the deadline to test effectiveness and the resource cost to test efficiency; reaching the target alone does not establish both.

23. 'The attitudes, skills and abilities of employees to perform specific jobs are increased by adopting a specific process.' This process benefits the organisation in many ways.
State any three benefits of this process to the organisation. [3 marks]

Solution:

Concept:

- Training is the process of increasing employees' knowledge, skills and abilities for performing specific jobs. It is a systematic effort to improve present job performance.
- Training benefits the organisation by developing a competent workforce, improving productivity and preparing people to handle greater responsibilities.

Step 1: Identify the process described The process is **training**. The words 'attitudes, skills and abilities of employees to perform specific jobs are increased' point to improving employees' ability to do particular jobs. The question asks for benefits to the organisation, so the answer should focus on organisational results rather than only an employee's personal career growth.

Step 2: State three organisational benefits

- **Systematic learning and reduced wastage:** Training provides systematic learning, which is better than learning by trial and error. Employees learn appropriate work methods from the beginning, reducing wastage of effort, time, money and materials.
- **Higher productivity:** Trained employees perform their tasks more efficiently and accurately. Improvements in both the quantity and quality of output increase employee productivity and contribute to higher organisational profits.
- **Preparation of future managers:** Training equips employees to take up greater responsibilities. It therefore creates a pool of competent people who can take over when existing managers retire or leave, helping the organisation maintain continuity.

Step 3: Conclusion The process is training. Its three benefits to the organisation are systematic learning with less wastage, higher productivity and profits, and the development of future managers.

Quick Tip to Solve: For benefits to the organisation, connect training to better work results: less wastage, more output and a ready supply of capable managers.

24(a). Explain the following methods of training :

(i) Vestibule training

(ii) Internship training [3 marks]

Solution:

Concept:

- Training develops the knowledge and skills employees need for their jobs. The method chosen depends on the type of work and the practical experience required.
- Vestibule training simulates the workplace away from the actual work floor, while internship training combines educational study with practical experience in an organisation.

Step 1: Explain vestibule training **Vestibule training:** Employees learn their jobs using the same or similar equipment as that used in the actual workplace. However, training is conducted away from the actual work floor, in a simulated working environment. This allows trainees to acquire the necessary operating skills under guidance without interrupting normal production. It is useful when the work involves sophisticated machinery or equipment, since inexperienced workers should not be placed directly on the live production floor. The essential feature is that the workplace conditions are reproduced for learning, rather than the employee merely observing normal work.

Step 2: Explain internship training **Internship training:** This is a joint programme of an educational institution and a business enterprise. Selected students continue their regular studies for a prescribed period and also work in a factory, office or another organisation to obtain practical knowledge and skills. Thus classroom knowledge is combined with exposure to actual work. For example, a student studying management may work in a company for a specified period to understand how the principles studied are applied. Unlike vestibule training, the practical experience is obtained in an actual organisational setting as part of the student's educational programme.

Step 3: Conclusion Vestibule training teaches job skills in a simulated workplace away from the actual work floor. Internship training links institutional study with a prescribed period of practical work in an organisation.

Quick Tip to Solve: Remember the contrast: vestibule means a simulated work setting; internship means study plus practical work through an institution-business arrangement.

OR

24(b). Explain any three advantages of external sources of recruitment. [3 marks]

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and encouraging them to apply for jobs in an organisation.
- External recruitment seeks applicants from outside the organisation. Its main strengths arise from access to a wider labour market and the entry of new talent.

Step 1: Establish the meaning of external recruitment External sources include advertisements, employment exchanges, placement agencies and campus recruitment. In each case, the organisation looks beyond its existing workforce for suitable candidates. The question asks for any three advantages, so three distinct benefits are explained below.

Step 2: Explain three advantages

- **Qualified personnel:** By using external sources, management can attract qualified and trained people to apply for vacant jobs. The organisation is not restricted to employees who happen to be available internally and can obtain the education, experience or specialised skills the job requires.
- **Wider choice:** A large number of applicants can be reached in the external labour market. This gives management a wider pool from which to compare candidates and select the person best suited to the job, rather than filling the vacancy from a limited internal group.
- **Fresh talent:** New entrants bring new ideas, different experiences and fresh approaches to organisational problems. This is particularly useful when existing employees do not possess a newly required skill or when the organisation needs to change its methods and practices.

Step 3: Conclusion Three advantages of external recruitment are the availability of qualified personnel, a wider choice of candidates and the introduction of fresh talent and ideas into the organisation.

Quick Tip to Solve: Link external recruitment to the outside labour market: it provides suitable qualifications, a larger candidate pool and fresh ideas.

25. 'X Ltd.' issued 14% Debentures of ₹ 4,00,000 and 10,000 Equity shares of ₹ 60 each. This investment resulted in a net profit of ₹ 2,00,000 before interest and tax. The tax rate was 50%.

(a) Calculate the 'Return on Investment' and 'Earning per Share' of 'X Ltd.'

(b) State with reason whether the above example is that of favourable or unfavourable financial leverage. [4 marks]

Solution:

Concept:

- Return on investment measures the operating return earned on the total funds invested. Use earnings before interest and tax (EBIT), because that profit is available before payments to either lenders or the government.
- Earnings per share (EPS) is the profit available to equity shareholders divided by the number of equity shares. Interest is deducted before tax, and tax is deducted before calculating EPS.
- Financial leverage is favourable when the return on total investment exceeds the interest rate on debt. The surplus earned on borrowed funds then benefits equity shareholders; this is trading on equity.

Step 1: Calculate the total investment and return on investment **(a) Return on investment:** Equity capital is the number of shares multiplied by the amount per share:

$$\text{Equity capital} = 10,000 \times \text{Rs } 60 = \text{Rs } 6,00,000.$$

Add the debenture funds to equity capital, since both sources finance the investment:

$$\text{Total investment} = \text{Rs } 6,00,000 + \text{Rs } 4,00,000 = \text{Rs } 10,00,000.$$

The stated profit of Rs 2,00,000 is before interest and tax, so it is EBIT. Therefore,

$$\text{ROI} = \frac{\text{EBIT}}{\text{Total investment}} \times 100 = \frac{2,00,000}{10,00,000} \times 100 = 20\%.$$

Step 2: Deduct interest and tax to calculate earnings per share **(a) Earnings per share:** The annual interest is calculated on the debenture amount, not on equity capital:

$$\text{Interest} = \text{Rs } 4,00,000 \times \frac{14}{100} = \text{Rs } 56,000.$$

$$\text{Profit before tax} = \text{Rs } 2,00,000 - \text{Rs } 56,000 = \text{Rs } 1,44,000.$$

Apply the tax rate to this profit after interest:

$$\text{Tax} = \text{Rs } 1,44,000 \times 50\% = \text{Rs } 72,000.$$

$$\text{Profit after tax} = \text{Rs } 1,44,000 - \text{Rs } 72,000 = \text{Rs } 72,000.$$

There are no preference shares in the question, so this entire profit is available to the 10,000 equity shares:

$$\text{EPS} = \frac{\text{Rs } 72,000}{10,000} = \text{Rs } 7.20 \text{ per share.}$$

Step 3: Compare the investment return with the debt cost **(b) Nature of financial leverage:** The company's ROI is 20%, whereas the debentures cost 14% annually. Thus, the return earned on borrowed funds exceeds their interest cost by six percentage points. On the debt of Rs 4,00,000, the operating return at 20% is Rs 80,000, compared with interest of Rs 56,000. The surplus remains for equity shareholders, subject to tax, so the use of debt is favourable.

Step 4: Conclusion **ROI is 20% and EPS is Rs 7.20 per equity share.** This is **favourable financial leverage**, because ROI (20%) is greater than the interest rate on debt (14%).

Quick Tip to Solve: Use EBIT for ROI, but deduct interest and then tax for EPS. Judge leverage by comparing ROI with the debt interest rate on a consistent pre-tax basis.

26. Nitya is a student of class XII of a well-known school. She has a preconceived notion that her teacher always finds fault in her work. One day while checking the project work of class XII, her teacher wanted to appreciate Nitya for her hard work and good performance, but before she could complete her sentence, Nitya left the room without listening to her teacher.

(a) Identify the 'barrier to communication' and also the type/category of barrier to which it is related.

(b) Explain two other communication barriers of the type/category identified in (a) above. [4 marks]

Solution:

Concept:

- Communication is effective when the receiver understands the message as the sender intends. The receiver must listen to the complete message before interpreting and evaluating it.
- Psychological barriers arise from the mental or emotional state of the sender or receiver. Preconceived notions, inattention and distrust can prevent the correct meaning from being understood even when the words are clear.

Step 1: Identify the barrier from Nitya's conduct **(a) Premature evaluation:** This means judging a message before the sender has finished communicating it, often because of preconceived notions or prejudice. The case states that Nitya has a "preconceived notion that her teacher always finds fault in her work". Consequently, "before she could complete her sentence, Nitya left the room without listening to her teacher". Nitya evaluates the teacher's intended message before hearing it fully. The teacher actually wants to appreciate her, but Nitya's prior judgement prevents her from receiving that appreciation. Therefore, the particular barrier is **premature evaluation**, and its category is **psychological barriers**.

Step 2: Explain lack of attention as another psychological barrier **(b) Lack of attention:** When the receiver is preoccupied with something else, the receiver does not listen attentively to the sender's message. Important words or details may be missed, and the meaning may be misunderstood. Communication fails because a message that reaches the receiver physically is not given the mental attention needed for understanding. For instance, a person absorbed in personal worries may not register an instruction even though it has been clearly spoken.

Step 3: Explain distrust as another psychological barrier **Distrust:** When the sender and receiver do not believe or trust each other, each may attach a different or unfavourable meaning to the other's message. The receiver may doubt the sender's intentions or credibility and reject even a useful or truthful message. Mutual trust is therefore necessary for the receiver to accept and understand what the sender communicates. This barrier concerns a lack of confidence between the communicating parties; it is distinct from judging a particular message before it is complete.

Step 4: Conclusion **(a)** Nitya exhibits **premature evaluation**, a **psychological barrier**. **(b)** Two other psychological barriers are **lack of attention** and **distrust**, as explained above.

Quick Tip to Solve: When a case says the listener judges or walks away before the speaker finishes, identify premature evaluation. Name the specific barrier first, then its psychological category.

27. Identify and give the meaning of the concepts highlighted in the following statements :

(a) The process of finding possible candidates for a job.

(b) An assessment of the number and types of human resources necessary for the performance of various jobs.

(c) Introducing the selected employees to other employees and familiarising them with the rules and policies of the organisation.

(d) It ensures that the organisation gets the best employees amongst the employees available.

[4 marks]

Solution:

Concept:

- Staffing is concerned with obtaining, developing and retaining suitable people for an organisation's jobs. Its activities have distinct purposes, even though they form one connected process.
- Estimating manpower requirements determines staffing needs; recruitment attracts applicants; selection chooses suitable applicants; and orientation familiarises a new employee with the organisation.

Step 1: Identify recruitment in statement (a) **(a) Recruitment:** The clue is 'finding possible candidates for a job'. Recruitment means searching for prospective employees and stimulating them to apply for jobs in the organisation. It creates a pool of candidates from which a choice can subsequently be made. Finding applicants is therefore different from selecting the best applicant.

Step 2: Identify manpower estimation in statement (b) **(b) Estimating manpower requirements:** The words 'number and types of human resources necessary' refer to determining how many employees are needed and what qualifications, skills and experience they should possess. It involves assessing the work to be performed and the personnel already available, so that the organisation can identify its additional staffing requirements.

Step 3: Identify orientation in statement (c) **(c) Orientation:** The clue is 'Introducing the selected employees to other employees and familiarising them with the rules and policies'. Orientation is the process of introducing a new employee to colleagues and familiarising the employee with the organisation's rules, policies and workplace. It forms part of the placement and orientation stage; placement itself assigns the selected person to the job.

Step 4: Identify selection in statement (d) **(d) Selection:** The expression 'best employees amongst the employees available' indicates choosing the most suitable candidates from the pool of applicants. Selection evaluates applicants against job requirements and rejects unsuitable candidates, ensuring that the organisation appoints people best suited to its jobs.

Step 5: Conclusion The concepts are (a) recruitment, (b) estimating manpower requirements, (c) orientation, under placement and orientation, and (d) selection. Each concept serves a different purpose: attracting, assessing requirements, familiarising and choosing respectively.

Quick Tip to Solve: Match the action word to the staffing activity: find applicants = recruitment; assess number and skills = manpower estimation; familiarise = orientation; choose the best = selection.

28. 'Zeto Ltd.' offers its employees shares at a price which is less than the market price.

(a) Identify the incentive offered by the company and state the type of incentive discussed above.

(b) State two other incentives of the type of incentive identified in (a) above. [4 marks]

Solution:

Concept:

- An incentive is a stimulus used to motivate employees to improve performance. Financial incentives are measurable in money and meet employees' monetary needs, directly or indirectly.
- Co-partnership or stock option gives employees an opportunity to acquire ownership in the company. Other financial incentives include pay and allowances, bonus, profit sharing, retirement benefits and perquisites.

Step 1: Identify the incentive in part (a) **Co-partnership / Stock option:** Zeto Ltd. offers its employees 'shares at a price which is less than the market price'. This is the distinctive feature of co-partnership or a stock option. Employees can acquire shares on favourable terms and thereby become part owners of the company. Their interest becomes linked with the organisation's growth and success, encouraging them to contribute to its performance.

Step 2: State its type in part (a) **Financial incentive:** The incentive is financial because shares represent ownership with a monetary value, and acquiring them below market price provides an economic benefit. Although ownership may also create a sense of belonging, the incentive described here is classified as financial rather than as a non-financial incentive such as recognition or job enrichment.

Step 3: State two other financial incentives in part (b)

- **Pay and allowances:** Salary is the basic monetary incentive for employees. It includes basic pay, dearness allowance and other allowances. Suitable pay and regular increments provide monetary rewards for employees' work and help motivate them.
- **Bonus:** A bonus is an incentive offered over and above the wages or salary paid to employees. The additional payment provides a direct monetary reward and can encourage employees to work towards organisational performance objectives.

These are two different financial incentives; neither requires employees to purchase shares in the company.

Step 4: Conclusion (a) Zeto Ltd. offers **co-partnership / stock option**, which is a **financial incentive**. (b) Two other financial incentives are **pay and allowances** and **bonus**.

Quick Tip to Solve: Shares offered below market price identify co-partnership or stock option. When asked for other incentives of the same type, select monetary benefits such as pay and allowances or bonus.

29(a). Keeping in mind the emerging nature of the securities market in India, Securities and Exchange Board of India was entrusted with the twin task of both regulation and development of the securities market.

State any two regulatory and two development functions of it. [4 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) regulates the securities market and promotes its orderly development, while protecting investors' interests.
- Regulatory functions establish and enforce rules for market participants. Development functions improve the knowledge, competence and functioning of the market.

Step 1: State two regulatory functions

- **Registration of brokers and sub-brokers:** SEBI registers brokers, sub-brokers and other market participants. Registration brings these intermediaries within the regulatory framework and makes them subject to prescribed conditions and standards of conduct.
- **Regulation of takeover bids:** SEBI regulates takeover bids by companies. It lays down the rules governing the acquisition of shares and control so that takeover activity takes place within the prescribed framework rather than through unrestricted dealings.

Step 2: State two development functions

- **Training of intermediaries:** SEBI promotes the training of intermediaries in the securities market. Better trained intermediaries can provide more competent services and contribute to the orderly growth of the market.
- **Research and dissemination of information:** SEBI undertakes research and publishes information useful to market participants. The availability of relevant information helps participants understand the market and supports its development.

Step 3: Conclusion Thus, registration of brokers and sub-brokers and regulation of takeover bids are regulatory functions; training of intermediaries and research and publication of useful information are development functions of SEBI.

Quick Tip to Solve: Separate the functions by purpose: registration and rules regulate participation, while training and information develop the market's capabilities.

OR

29(b). Explain the following factors affecting the working capital requirements of an enterprise :

(i) Nature of business

(ii) Availability of raw material [4 marks]

Solution:

Concept:

- Working capital finances day-to-day business operations through current assets such as raw materials, work-in-progress, finished goods and debtors.
- The requirement depends on how much money remains tied up in the operating cycle. The nature of business determines the activities to be financed, while raw-material availability affects the stock that must be maintained.

Step 1: Explain the effect of the nature of business **Nature of business:** A trading enterprise normally needs less working capital than a manufacturing enterprise of comparable scale. A trader purchases finished goods and sells them; it does not have to finance the conversion of raw materials into finished products. A manufacturer must hold raw materials, finance work-in-progress and incur wages and other production expenses before the finished goods can be sold. More funds therefore remain tied up during production.

A service enterprise generally requires still less working capital because it does not usually maintain substantial stocks of raw materials or finished goods. Thus, the activities involved in the business, especially the need to manufacture and hold inventories, influence the amount required for daily operations.

Step 2: Explain the effect of raw-material availability **Availability of raw material:** If raw materials are readily and continuously available, the enterprise can buy them as needed and maintain a smaller inventory. Less money is blocked in stocks, reducing its working capital requirement.

If raw materials are scarce, available only seasonally, or take a long time to procure, the enterprise must maintain larger stocks to avoid interruptions in production. Purchasing and holding these stocks ties up more funds and increases working capital requirements. Therefore, assured supply and a short procurement lead time reduce the inventory investment, while uncertain supply and a long lead time increase it.

Step 3: Conclusion Manufacturing activities generally require more working capital than trading or service activities. Easy and regular availability of raw materials reduces the stock needed, whereas seasonal, uncertain or delayed supply increases inventory holdings and working capital requirements.

Quick Tip to Solve: For each factor, trace its effect on funds tied up in the operating cycle: more production stages or larger raw-material stocks mean a higher working capital requirement.

30(a). What is meant by Consumer Protection ? Explain any two points of importance of consumer protection from the consumers' point of view. [4 marks]

Solution:

Concept:

- Consumer protection means safeguarding consumers' interests against unfair, restrictive and exploitative business practices and providing a means of redressal for their grievances.
- From the consumers' point of view, protection is needed because consumers may not know their rights and may face widespread exploitation in the market.

Step 1: State the meaning of consumer protection **Meaning:** Consumer protection covers measures that protect buyers of goods and users of services from exploitation. It includes educating consumers about their rights and responsibilities, encouraging them to organise themselves, and providing machinery through which their complaints can be heard and remedied. Thus, it concerns prevention of unfair practices as well as redressal when a consumer suffers because of a defective product or deficient service.

Step 2: Explain the need arising from consumer ignorance **Consumer ignorance:** Many consumers are unaware of their rights and of the relief available when a seller treats them unfairly. They may accept a defective product, an incorrect charge or poor service without making a complaint because they do not know whom to approach. Consumer protection creates awareness about these rights and the available remedies. This enables buyers to make informed purchases, recognise a violation and seek appropriate redressal instead of silently accepting the loss.

Step 3: Explain the need arising from exploitation **Widespread exploitation of consumers:** Consumers need protection against practices such as adulteration, sale of unsafe or defective goods, false or misleading advertisements, hoarding, black marketing and overcharging. Such practices can cause financial loss and may also endanger health and safety. Protective measures establish standards of fair dealing and give consumers a way to challenge these practices. This helps prevent a seller from taking advantage of the buyer's weaker position in an individual transaction.

Step 4: Conclusion Consumer protection safeguards consumers' interests and provides redressal against exploitation. Its importance from the consumers' viewpoint is illustrated by the need to overcome **consumer ignorance** and to check **widespread exploitation of consumers**.

Quick Tip to Solve: For the consumers' viewpoint, name the buyer's difficulty first, then explain how protection addresses it. Do not substitute business benefits such as goodwill or long-term profits.

OR

30(b). Explain the following rights of a consumer :

(i) Right to choose

(ii) Right to safety [4 marks]

Solution:

Concept:

- Consumer rights safeguard a buyer's interests when purchasing goods or using services. They place corresponding responsibilities on producers and sellers to deal fairly with consumers.
- The right to choose protects freedom of selection, whereas the right to safety protects life and health against hazardous goods and services.

Step 1: Explain the right to choose **Right to choose:** A consumer has the right to choose from a variety of products at competitive prices. This means that the buyer should have access to alternatives and should be able to select the product or service that best meets personal needs, preferences and purchasing capacity. A seller should not force the consumer to buy a particular product or make the purchase of an unwanted item a condition for supplying the desired one.

For example, when several suitable brands of a household appliance are available, the consumer should be free to compare them and select one. Producers and marketers should therefore offer a reasonable variety of goods, including differences in quality, brand, price and size, so that this freedom of choice can be exercised meaningfully.

Step 2: Explain the right to safety **Right to safety:** A consumer has the right to be protected against goods and services that are hazardous to life and health. Products must meet the relevant safety requirements, and their use should not expose the consumer to avoidable danger. For example, a defective electrical appliance can cause an electric shock or a fire; protection against such risks is the purpose of this right.

Consumers should seek quality assurance and buy products bearing appropriate standardisation marks, such as the ISI mark on relevant electrical appliances. They should also follow the manufacturer's instructions for safe use. These precautions support the exercise of the right, while the basic obligation remains that goods and services offered to consumers must be safe for their intended use.

Step 3: Conclusion The **right to choose** ensures access to a variety of goods and services at competitive prices and freedom to select among them. The **right to safety** ensures protection against goods and services that threaten the consumer's life or health.

Quick Tip to Solve: Link "choose" with variety, competitive prices and freedom of selection; link "safety" with hazards to life and health and appropriate quality-assurance marks.

31(a). Explain the following principles of Scientific Management :

(i) Harmony, not Discord

(ii) Science, not Rule of Thumb [6 marks]

Solution:

Concept:

- Scientific management means applying a scientific approach to decisions about work, rather than relying on tradition or a manager's personal judgement alone.
- Taylor's principles seek greater efficiency and prosperity for both workers and management. Cooperation in attitudes and scientifically determined methods must support one another.

Step 1: Explain harmony, not discord **Cooperate instead of conflicting:** Management and workers should recognise that they are important parts of the same organisation. Conflict between them harms both, whereas harmonious relations help the organisation achieve its objectives.

Bring about a mental revolution: Taylor called for a complete change in the attitudes of both sides towards each other and towards work. Each should appreciate the other's contribution instead of treating the other as an opponent. Management should share the gains of increased productivity with workers and take care of their interests.

Work for mutual prosperity: Workers should work sincerely and willingly, rather than resort to strikes or deliberately restrict output. Both sides should concentrate on increasing the size of the surplus through greater productivity, instead of quarrelling only over its division. Prosperity of the organisation can then support prosperity of its employees.

Step 2: Explain science, not rule of thumb **Replace guesswork with scientific investigation:** Rule of thumb means using traditional methods or personal experience to decide how a task should be done. Taylor argued that each element of work should instead be studied scientifically. Even a familiar activity should be examined rather than accepted merely because it has always been done in that way.

Find the best method: Analyse the available methods, test them and establish the method that is most efficient under the given conditions. Scientific study of the task helps determine suitable working methods, equipment and standards rather than leaving every worker to choose independently.

Use resources efficiently: Once the scientifically established method is adopted, time and effort are saved, waste is reduced and output can rise. For example, choosing tools after examining the work they must perform is more reliable than selecting them by habit. Thus scientific knowledge provides a rational basis for management decisions.

Step 3: Conclusion Harmony, not discord builds a cooperative relationship and a shared interest in prosperity. Science, not rule of thumb replaces customary or intuitive working methods with methods established by systematic study. Together they improve efficiency and benefit both management and workers.

Quick Tip to Solve: Link harmony to a mental revolution and mutual prosperity; link science to studying work and finding the best method instead of following habit.

OR

31(b). Explain the following principles of management :

(i) Equity

(ii) Authority and Responsibility

(iii) Stability of Personnel [6 marks]

Solution:

Concept:

- Fayol's principles are general guidelines for managerial behaviour. They help managers organise relationships and work effectively, while allowing application suited to the situation.
- Equity concerns fair treatment, authority and responsibility concern a balance between the right to command and the duty to perform, and stability of personnel concerns giving employees reasonable continuity in their jobs.

Step 1: Explain equity **Combine kindness with justice:** Managers should treat employees with kindness and fairness so as to secure their loyalty and devotion. Employees doing comparable work should receive fair treatment; personal prejudice should not determine managerial decisions.

Avoid discrimination: There should be no discrimination on grounds such as sex, religion, language, caste, belief or nationality. Everyone should have a fair opportunity to contribute. Equity does not prevent a manager from using necessary firmness or taking justified disciplinary action: fairness requires appropriate treatment according to the circumstances, rather than favouritism.

Step 2: Explain authority and responsibility **Recognise the two related elements:** Authority is the right to give orders and obtain obedience, whereas responsibility is the obligation to perform the assigned task properly. A manager given a duty must have sufficient authority to secure the resources and cooperation necessary to discharge it.

Maintain a balance: Authority and responsibility should go hand in hand. Excessive authority without matching responsibility can encourage misuse of power; responsibility without adequate authority makes successful performance difficult. For example, a manager responsible for meeting a production target must have suitable authority to allocate work and direct the employees concerned, while remaining answerable for results.

Step 3: Explain stability of personnel **Give employees reasonable tenure:** Employees should be selected and appointed after a rigorous procedure and should then be retained for a reasonable minimum period in their posts. Frequent transfers, dismissals or replacement should be avoided, since a new employee needs time to learn the job and become effective.

Reduce the costs of turnover: Stability gives employees confidence and time to develop competence. Frequent changes cause insecurity, disrupt work and increase the cost of recruitment, selection and training. Once a suitable person is placed in a job, allowing time to settle down helps the organisation obtain better results from that employee's abilities.

Step 4: Conclusion Equity promotes fair and kind treatment; balanced authority and responsibility make duties practicable and managers accountable; stability of personnel allows employees time to learn and contribute effectively. These principles strengthen employee commitment and organisational efficiency.

Quick Tip to Solve: Remember the links: equity means fairness, authority must match duty, and stability means enough time in a post to learn and perform well.

32. 'It involves setting objectives and developing appropriate course of action from amongst the different alternative courses of action to achieve these objectives.'

(a) Identify the function of management referred above.

(b) State any five features of the function of management identified in (a) above. [6 marks]

Solution:

Concept:

- Planning means setting objectives for a specified period and deciding in advance the appropriate course of action for achieving them. It connects what the organisation wants to achieve with how it will achieve it.
- The features of planning explain its nature as a management function. These features are distinct from its importance, such as reducing uncertainty or avoiding wasteful activities.

Step 1: Identify the management function **(a) Planning.** The statement refers to "setting objectives" and choosing an "appropriate course of action from amongst the different alternative courses of action". These are the two central elements of planning: determining the desired results and selecting how to reach them. Thus, the function identified is planning.

Step 2: State five features of planning **(b) The following are five features:**

- **Planning focuses on achieving objectives:** Planning starts by determining objectives. Every plan specifies the actions needed to reach these objectives, so organisational activities are directed towards a definite purpose rather than undertaken at random.
- **Planning is a primary function of management:** Planning precedes organising, staffing, directing and controlling. The objectives and courses of action established by plans provide the basis for deciding the organisation structure, personnel requirements and standards of performance.
- **Planning is pervasive:** Planning is required at all levels of management and in every department. Its scope differs: top management plans for the organisation as a whole, while departmental and supervisory managers plan the activities within their own areas of responsibility.
- **Planning is continuous:** Plans are prepared for a specified period. When that period ends, new plans are required. Plans may also need revision when conditions change, so planning continues throughout the life of the organisation.
- **Planning is futuristic:** Planning looks ahead and prepares for future events. Managers anticipate likely conditions, using forecasts and assumptions, and decide present actions in the light of the future objectives they seek to achieve.

Step 3: Conclusion The function is **planning**. Its five features stated here are focus on objectives, primacy, pervasiveness, continuity and a futuristic outlook. Together they explain how planning provides direction to subsequent managerial action.

Quick Tip to Solve: When asked for features, use headings describing the nature of planning. Keep them separate from benefits such as reducing uncertainty, and state exactly the number requested.

33. 'Sweets and More' is one of India's most popular brand for snacks and sweets. It offers a wide range of sweets, namkeens, cookies and frozen foods.

Its organisational structure comprises of separate business units in each of the above categories. Each of these units have a manager responsible for performance, having authority over the unit. Moreover, each of these units is multi-functional as within each unit, different functions like production, marketing, finance, etc. are performed. Though this kind of organisational structure leads to increased cost because of duplication of activities across products, but it provides a proper basis for performance measurement as revenues and costs related to each of these business units can be easily identified.

(a) Identify the organisational structure of 'Sweets and More'.

(b) State three advantages and two disadvantages of the organisational structure identified in (a) above which are not discussed in the above case. [6 marks]

Solution:

Concept:

- In a divisional structure, activities relating to each product or product group are placed in a separate division. Each division performs the functions needed for its products and is headed by a divisional manager.
- Divisional structure combines product specialisation with responsibility for the division's results. Its benefits and limitations must be distinguished from those of a functional structure, which groups activities by functions across the whole organisation.

Step 1: Identify the organisational structure from the case **(a) Divisional structure.** The case states that there are "separate business units" for sweets, namkeens, cookies and frozen foods, and that "each of these units is multi-functional". Thus, the basic grouping is by product category, with production, marketing and finance performed within each division. A manager responsible for each unit's performance further confirms this identification.

Step 2: State three additional advantages **(b) Advantages not discussed in the case:**

- **Product specialisation and managerial development:** A division concentrates on one product group while performing all the functions associated with it. This helps the divisional head develop varied skills through experience in production, marketing, finance and other areas, preparing the manager for higher positions.
- **Flexibility and initiative:** Each division functions as an autonomous unit. Its manager can make decisions relating to that division without referring every matter to the head office, enabling faster responses to changing conditions and encouraging managerial initiative.
- **Expansion and growth:** New product divisions can be added without substantially disturbing existing divisions. Each division can operate as an integrated unit, making it easier for a large enterprise to accommodate additional product lines and grow.

These points are separate from the advantage of easier performance measurement already stated in the passage.

Step 3: State two additional disadvantages

- **Conflict over allocation of resources:** Different divisions may compete for funds, staff or other resources. Disagreement can arise over how much each division should receive, and a division may

seek to maximise its own benefit at the expense of another.

- **Neglect of organisational interests:** Divisional managers may become so focused on their own division's performance that they ignore the interests of the organisation as a whole. Their authority and independence may encourage decisions that favour divisional results even when these conflict with overall organisational goals.

These limitations are distinct from the increased cost through duplication of activities, which is already discussed in the case and therefore is not repeated as one of the requested disadvantages.

Step 4: Conclusion Sweets and More uses a **divisional structure**. Three further advantages are development of varied managerial skills through product specialisation, flexibility and initiative, and easier expansion and growth. Two further disadvantages are conflict over resource allocation and the possible neglect of overall organisational interests.

Quick Tip to Solve: In a case asking for points not discussed, first cross out the stated benefit and limitation. Here, exclude performance measurement and duplication of activities before choosing your remaining points.

34. 'X Ltd.' is engaged in the manufacturing of cars. The company surveyed the market and found that customers need a car which runs on eco-friendly fuel instead of petrol or diesel. Keeping the needs of customers as well as social, ethical and ecological aspects of marketing in mind, the company launched a new model of car that runs on bio-diesel. The launch event was covered by the top news channels and newspapers. This was done to disseminate information about the car and build goodwill of the business. 'X Ltd.' understands that it is imperative to manage public opinion and company's relations with the public on a regular basis.

(a) Identify and explain the marketing philosophy involved in the above case.

(b) Identify and explain the communication tool that was used by the company.

(c) Explain any two other promotional tools that can be used by 'X Ltd.' to achieve its objectives.

[6 marks]

Solution:

Concept:

- Marketing management philosophies guide how a business balances its objectives with customer needs. The societal marketing concept includes the long-term well-being of consumers and society along with customer satisfaction and organisational objectives.
- Promotion communicates information about a product and persuades customers. Public relations, advertising, personal selling and sales promotion are tools available to a marketer, but each performs a different communication role.

Step 1: Identify and explain the marketing philosophy in part (a)

- **Societal marketing concept:** The clue is that the company considers customer needs together with the "social, ethical and ecological aspects of marketing". Merely meeting present customer demand would reflect the marketing concept; the additional concern for society's long-term welfare makes this societal marketing.

- **Balance satisfaction and welfare:** Under this philosophy, the business identifies the needs of its target market and satisfies them effectively while preserving or enhancing consumers' and society's well-being. X Ltd. responds to the demand for an "eco-friendly fuel instead of petrol or diesel" by launching a bio-diesel car. Thus its product decision combines customer satisfaction, business objectives and environmental concern.

Step 2: Identify and explain the communication tool in part (b)

- **Public relations:** The company uses public relations. The case says the launch was "covered by the top news channels and newspapers" to "disseminate information about the car and build goodwill". It also explicitly refers to managing public opinion and the company's relations with the public regularly.
- **Build and maintain a favourable image:** Public relations comprises activities that establish and maintain good relations with the firm's different publics. These include customers, employees, investors, government and the community. Favourable media coverage is publicity, an important part of public relations. Here it spreads product information and supports the company's reputation; the ongoing management of public opinion establishes the wider tool as public relations.

Step 3: Explain two other promotional tools for part (c)

- **Advertising:** This is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. X Ltd. can place advertisements on television, in newspapers or through digital media to communicate the car's features and fuel type to a large audience. Repeated messages can create awareness and interest. Unlike news coverage of the launch, these advertisements would be purchased and the company would control their message.
- **Personal selling:** This involves personal interaction with prospective buyers to make a sale. Trained dealership salespersons can explain the bio-diesel car's features, demonstrate its use and answer a buyer's questions. Immediate feedback allows the salesperson to adapt the explanation to the customer's needs and clarify doubts before purchase. Such interaction is useful for a car, a relatively expensive product requiring careful evaluation.

Step 4: Conclusion (a) X Ltd. follows the **societal marketing concept**. (b) It uses **public relations**, including publicity through news coverage, to inform the public and build goodwill. (c) It can also use **advertising** for broad awareness and **personal selling** for individual explanation and persuasion.

Quick Tip to Solve: Customer needs plus social and ecological welfare signals societal marketing. News coverage and goodwill point to public relations; paid mass messages indicate advertising, while direct buyer interaction indicates personal selling.