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

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.

1. Sarita bought a flat from Sugan Developers for ₹ 5 crore and was shocked to discover that the quality of construction was bad, roof leaked during the rainy season and plaster was coming off at various places. Which consumer forum should she approach for redressal of her grievance ? [1 mark]

(A) District Commission

(B) State Commission

(C) National Commission

(D) Supreme Court

Correct Answer: (B) State Commission

Solution:

Concept:

- The consumer redressal machinery provides District, State and National Commissions for complaints according to their pecuniary jurisdiction.
- In the textbook classification tested by this paper, the State Commission considers complaints where the value of goods or services paid as consideration exceeds Rs 1 crore but does not exceed Rs 10 crore.

Step 1: Identify the value and nature of the complaint Sarita paid Rs 5 crore for the flat. The facts that the 'roof leaked' and the 'plaster was coming off' indicate deficient construction services for which she seeks consumer redressal.

Step 2: Select the forum by pecuniary jurisdiction Rs 5 crore falls above Rs 1 crore and within Rs 10 crore, so the complaint belongs before the State Commission under the textbook limits. District Commission applies to the lower range; National Commission to the higher range. The Supreme Court is not the initial consumer commission for this complaint.

Step 3: Conclusion Sarita should approach the State Commission. Hence, the correct option is (B).

Quick Tip to Solve: Use the consideration paid for the service to identify the commission; do not choose a higher forum merely because the defect is serious.

2. In a recent ruling, the Supreme Court of India has ordered an immediate stop on commercial activities in a 500-metre radius of the Taj Mahal and asked Agra Development Authority to ensure compliance of its directive. Which dimension of business environment is reflected here ? [1 mark]

(A) Social

(B) Technological

(C) Legal

(D) Political

Correct Answer: (C) Legal

Solution:

Concept:

- The legal environment comprises laws, judicial decisions and the regulatory framework that businesses must obey.
- A court order imposing a binding restriction directly illustrates the legal dimension of business environment.

Step 1: Locate the binding direction The decisive words are that the 'Supreme Court of India has ordered an immediate stop' and required the authority to 'ensure compliance'. Commercial establishments must therefore obey a judicial directive.

Step 2: Distinguish the other dimensions This is legal environment because the immediate constraint is a court ruling. Social environment concerns customs, attitudes and values; technological environment concerns methods and innovation. Political environment concerns government ideology and political conditions, rather than this specific judicial order.

Step 3: Conclusion The ruling reflects the legal dimension of business environment. Hence, the correct option is (C).

Quick Tip to Solve: When a case emphasises a court ruling and compulsory compliance, identify the legal dimension.

3. 'Compro Solutions' offers IT services to clients across the country. During Covid-19, to accommodate changes taking place in the business environment, it suitably modified its organisation structure in a way that work from home became the new way of working for all employees bringing cost benefits and flexibility in the organisation. The point of importance of organising discussed above is : [1 mark]

(A) Benefits of specialisation

(B) Adaptation to change

(C) Development of personnel

(D) Clarity in working relationships

Correct Answer: (B) Adaptation to change

Solution:

Concept:

- Organising establishes a structure of roles and working relationships to achieve organisational objectives.
- A flexible organisational structure facilitates adaptation to changes in the business environment.

Step 1: Identify the response to the environment The firm 'suitably modified its organisation structure' during Covid-19 so that 'work from home became the new way of working'. It changed its arrangements to respond to a changed external situation.

Step 2: Connect the response with organising This illustrates adaptation to change: organising allows suitable modification of the structure and continued operations. Specialisation concerns division into specific jobs; development of personnel concerns growth through responsibility; clarity in working relationships concerns knowing authority and reporting relationships. None is the central point described here.

Step 3: Conclusion The importance of organising highlighted is adaptation to change. Hence, the correct option is (B).

Quick Tip to Solve: Look for the link between an external change and a revised organisation structure when identifying adaptation to change.

4. Which of the following is *not* a part of social environment of Business ? [1 mark]

(A) Life expectancy

(B) Education system and literacy rates

(C) Consumption habits

(D) Money supply in the economy

Correct Answer: (D) Money supply in the economy

Solution:

Concept:

- Social environment includes social characteristics, values, educational factors, customs and consumption patterns.

- Economic environment includes economic aggregates and conditions such as money supply, interest rates and income.

Step 1: Classify the social indicators Life expectancy describes demographic and social conditions. The education system and literacy rates describe educational conditions. Consumption habits reflect social preferences and patterns of behaviour. Thus options (A), (B) and (C) belong to the social environment.

Step 2: Identify the economic variable Money supply in the economy concerns the stock and availability of money. It affects credit, demand and business activity, and is part of the economic environment. Because the question asks which is not social, this economic variable is the required choice.

Step 3: Conclusion Money supply in the economy is not a part of the social environment. Hence, the correct option is (D).

Quick Tip to Solve: In a negative question, first classify every option; money, credit and interest rates generally indicate the economic dimension.

5. Which of the following is *not* a function of middle level management ? [1 mark]

(A) Analysing the business environment and its implications for survival of the firm

(B) Interpreting the policies framed by top management

(C) Ensuring that their department has necessary personnel

(D) Motivating people in their department to achieve desired objectives

Correct Answer: (A) Analysing the business environment and its implications for survival of the firm

Solution:

Concept:

- Top management determines the overall direction of the organisation and analyses environmental implications for its survival.
- Middle management interprets top-level policies and coordinates departmental implementation through adequate personnel and motivation.

Step 1: Identify the organisation-wide task Analysing the business environment and its implications for the survival of the firm is a strategic responsibility of top management. Its concern is the organisation as a whole rather than the implementation of policies within a department.

Step 2: Check the departmental responsibilities Interpreting top management policies, ensuring necessary departmental personnel and motivating people in the department are all functions of middle management. Therefore options (B), (C) and (D) cannot answer the question asking which is not a middle-level function.

Step 3: Conclusion Analysing the business environment and its implications for survival is not a function of middle management. Hence, the correct option is (A).

Quick Tip to Solve: Organisation-wide survival and strategic direction point to top management; departmental interpretation and implementation point to middle management.

6. These days consumers are making eco-friendly and healthy choices and are saying no to all things made of plastic and replacing it with stainless steel and ceramic containers, thus forcing business to change as well. Identify the feature of business environment highlighted above : [1 mark]

(A) Totality of external sources

(B) Specific and general forces

(C) Inter-relatedness

(D) Dynamic nature

Correct Answer: (D) Dynamic nature

Solution:

Concept:

- Business environment is dynamic because its forces and conditions keep changing over time.
- Changing consumer preferences require businesses to adapt their products and practices.

Step 1: Identify the change described Consumers are 'saying no to all things made of plastic' and replacing them with steel and ceramic containers. The case stresses a change in consumer preference that is 'forcing business to change as well'.

Step 2: Select the feature that the change demonstrates This demonstrates dynamic nature. Totality refers to the collection of external forces; specific and general forces classify their scope of impact; inter-relatedness concerns links among different environmental elements. Although preferences influence business, the emphasis here is the changing nature of the environment, making (D) the best answer.

Step 3: Conclusion The feature highlighted is the dynamic nature of business environment. Hence, the correct option is (D).

Quick Tip to Solve: Words such as changing preferences and new practices usually signal dynamic nature; identify the central emphasis of the case.

7. Government of India demonetised notes of ₹ 500 and ₹ 1000 on November 8, 2016. Demonetisation means : [1 mark]

(A) They ceased to be legal tender except for a few specified purposes.

(B) These notes could not be banked but could be freely used otherwise.

(C) These notes could be converted into gold coins from Reserve Bank of India.

(D) These notes could be used for household purposes but not for business purposes.

Correct Answer: (A) They ceased to be legal tender except for a few specified purposes.

Solution:

Concept:

- Demonetisation withdraws the legal-tender status of specified currency notes.
- The withdrawal means the notes cease to serve as legally valid payment, subject to specific temporary exceptions prescribed for the transition.

Step 1: Apply the meaning of demonetisation The announcement concerning the specified Rs 500 and Rs 1000 notes removed their legal-tender status. The essential meaning is that they ceased to be legal tender except for a few specified purposes, exactly as option (A) states.

Step 2: Reject the alternative meanings Option (B) reverses the position: the notes were not freely usable for ordinary transactions, while prescribed banking arrangements existed for the transition. Option (C) incorrectly suggests guaranteed conversion into gold. Option (D) incorrectly distinguishes household and business payments; legal-tender withdrawal is not based on that distinction.

Step 3: Conclusion The notes ceased to be legal tender except for a few specified purposes. Hence, the correct option is (A).

Quick Tip to Solve: Remember the defining change: demonetisation removes legal-tender status; it does not promise gold conversion or distinguish household payments.

8. Taylor called for complete mental revolution on the part of both management and workers. It meant that management and workers should transform their thinking. Management should share the gains of the company, if any, with the workers. At the same time, workers should work hard and be willing to embrace change for the good of the company. The principle of management highlighted above is : [1 mark]

(A) Science, not the Rule of Thumb

(B) Cooperation, not Individualism

(C) Harmony, not Discord

(D) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

Correct Answer: (C) Harmony, not Discord

Solution:

Concept:

- Taylor's principle of Harmony, not Discord requires management and workers to recognise their common interests instead of treating one another as opponents.
- A complete mental revolution means changing the attitudes of both sides so that mutual prosperity replaces conflict.

Step 1: Identify the decisive case evidence The words 'complete mental revolution' and 'transform their thinking' directly point to Harmony, not Discord. Sharing the company's gains and workers willingly embracing change show that both sides must change their outlook for their common good.

Step 2: Eliminate the other principles Science, not the Rule of Thumb concerns replacing traditional methods with scientific investigation. Cooperation, not Individualism stresses joint effort and participation, but the distinctive mental revolution described here explains harmony. Development of every person concerns scientific selection and training to attain efficiency; training is not the focus of the passage.

Step 3: Conclusion The principle highlighted is Harmony, not Discord. Hence, the correct option is (C).

Quick Tip to Solve: Link Taylor's phrase 'mental revolution' with harmony between management and workers.

9. Keya Ltd. is a large organisation manufacturing a popular brand of desi ghee and supplying it to various states of India. They manufacture 10,000 litres of desi ghee every day and pack in cartons of 250 ml, 500 ml and 1 litre sizes. The production manager ensures that one out of every ten cartons of each size is checked for quality control everyday.

The step of the controlling process discussed in the above para is : [1 mark]

(A) Setting performance standards

(B) Measurement of actual performance

(C) Comparison of actual performance with standards

(D) Analysing deviations

Correct Answer: (B) Measurement of actual performance

Solution:

Concept:

- Measurement of actual performance is the step in controlling that collects information about the work actually accomplished.
- Sample checking is a method of measuring performance where examining every unit would be impractical.

Step 1: Locate the action in the case The manager ensures that 'one out of every ten cartons of each size is checked for quality control everyday'. This sampling obtains information about the actual quality of production and therefore measures actual performance.

Step 2: Distinguish measurement from later steps Setting standards would specify the required quality before production. Comparison would explicitly place measured quality beside those standards. Analysing deviations would identify the causes and significance of an established difference. The case describes collecting quality information by checking cartons, without giving any comparison or analysis of a deviation.

Step 3: Conclusion The step is measurement of actual performance. Hence, the correct option is (B).

Quick Tip to Solve: Checking, inspection, observation and sample testing usually indicate measurement of actual performance.

10. Prateek Singh opened a jewellery store 'Fashion Jewels' offering workwear, light jewellery with modern designs for young working women. Good jewellery designs not only made the jewellery attractive for young working women, but also gave him a competitive edge in the market. The jewellery was a hit with working women and 'Fashion Jewels' was able to report a profit of ₹ 3 crore in the first year itself. The function of marketing performed by Prateek Singh in the above case was : [1 mark]

(A) Packaging and labelling

(B) Promotion

(C) Customer support service

(D) Product designing and development

Correct Answer: (D) Product designing and development

Solution:

Concept:

- Product designing and development determines the features, appearance and suitability of a product for its intended customers.
- A good design can make a product attractive and give the seller a competitive advantage.

Step 1: Connect the product to customer needs Fashion Jewels offers 'workwear, light jewellery with modern designs for young working women'. The statement that good designs made the jewellery attractive and gave a 'competitive edge' identifies the marketing function as product designing and development.

Step 2: Rule out unrelated functions Packaging and labelling concern the product container and identifying or informative labels; neither is described. Promotion communicates and persuades through tools such as advertising and sales promotion, whereas the case emphasises the jewellery design itself. Customer support service provides assistance such as after-sales service and handling complaints, which are also absent from the case.

Step 3: Conclusion Prateek Singh performed product designing and development. Hence, the correct option is (D).

Quick Tip to Solve: When a case stresses product features and appearance that suit a target group, look for product designing and development.

11. The process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results is known as : [1 mark]

(A) Organising

(B) Controlling

(C) Staffing

(D) Planning

Correct Answer: (A) Organising

Solution:

Concept:

- Organising identifies and groups activities, assigns duties and establishes authority and reporting relationships.
- It translates plans into an organised structure of jobs and resources so that the intended objectives can be achieved.

Step 1: Match the definition to the function The expression 'clarifying jobs and working relationships' is the central clue. Organising makes clear who performs each activity and who reports to whom, while deploying available resources effectively to implement plans.

Step 2: Separate the remaining management functions Planning decides in advance what is to be done and how; this question describes implementing those plans through a structure. Staffing fills positions with suitable people through recruitment, selection and related activities. Controlling checks performance against standards and takes corrective action. None of these alternatives primarily defines jobs and their working relationships.

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

Quick Tip to Solve: Associate jobs, duties, authority and reporting relationships with organising; associate filling those jobs with staffing.

12. Identify the correct sequence of two-level-channel of distribution : [1 mark]

(A) Manufacturer → Retailer → Agent → Customer

(B) Manufacturer → Consumer → Retailer → Wholesaler

(C) Manufacturer → Agent → Customer → Retailer

(D) Manufacturer → Wholesaler → Retailer → Consumer

Correct Answer: (D) Manufacturer → Wholesaler → Retailer → Consumer

Solution:

Concept:

- A channel of distribution is the route through which a product moves from its producer to its ultimate consumer.
- A two-level channel contains two intermediaries: a wholesaler and a retailer. The producer and consumer are its endpoints, not intermediary levels.

Step 1: Trace the two intermediary levels The manufacturer supplies the wholesaler, who purchases in bulk and supplies retailers. The retailer then sells to the ultimate consumer. Thus the correct sequence is Manufacturer, Wholesaler, Retailer, Consumer, with wholesalers and retailers forming the two levels.

Step 2: Check the incorrect sequences Option (A) places an agent after the retailer rather than giving the standard wholesale-retail sequence. Option (B) puts the consumer immediately after the manufacturer and before the intermediaries, so it cannot represent the route to the final buyer. Option (C) likewise places the customer before the retailer and omits the wholesaler. Only (D) correctly orders all four participants.

Step 3: Conclusion The correct sequence is Manufacturer to Wholesaler to Retailer to Consumer. Hence, the correct option is (D).

Quick Tip to Solve: Count only intermediaries when naming channel levels: wholesaler plus retailer makes a two-level channel.

13. _____ has been established with the specific objective of providing a ready market for money market instruments. [1 mark]

(A) Discount Finance House of India

(B) Securities and Exchange Board of India

(C) Reserve Bank of India

(D) State Bank of India

Correct Answer: (A) Discount Finance House of India

Solution:

Concept:

- The money market deals in short-term funds and instruments with a maturity of up to one year.
- The Discount Finance House of India was established to provide a ready market for money market instruments and support liquidity in that market.

Step 1: Identify the specialised institution The question asks for the institution established with the specific objective of providing a ready market for money market instruments. This is the Discount Finance House of India, which facilitates dealings in such short-term instruments rather than leaving their holders without a ready market.

Step 2: Distinguish the other institutions SEBI regulates and develops the securities market and protects investors; it is not the institution named by this specific money-market objective. The Reserve Bank of India is the central bank with broad monetary and regulatory responsibilities. The State Bank of India is a commercial bank. Although banks participate in the money market, their general functions do not match the specialised purpose asked here.

Step 3: Conclusion The institution is the Discount Finance House of India. Hence, the correct option is (A).

Quick Tip to Solve: For the phrase ready market for money market instruments, recall the Discount Finance House of India.

14. Rahul wants to buy shares of 'Rexter Ltd.' which are being traded at the National Stock Exchange. He feels that the share prices will go up in the future. Which market should he approach for this purpose ? [1 mark]

(A) Money market

(B) Primary market

(C) Secondary market

(D) Both (b) and (c)

Correct Answer: (C) Secondary market

Solution:

Concept:

- The secondary market provides a platform for buying and selling securities that have already been issued.
- The primary market deals in new issues, whereas stock exchanges such as the National Stock Exchange facilitate secondary-market trading.

Step 1: Identify whether the shares are new or existing The shares of Rexter Ltd. are 'being traded at the National Stock Exchange'. They are existing securities being bought and sold among investors, so Rahul must approach the secondary market to purchase them.

Step 2: Eliminate the other markets The money market deals in short-term debt instruments, not equity shares. The primary market would apply if Rexter Ltd. were issuing new shares directly to investors; the case instead explicitly mentions exchange trading. Therefore the combined option of primary and secondary markets is also incorrect for this particular purchase. Rahul's expectation of a price increase explains his motive, but does not change the market classification.

Step 3: Conclusion Rahul should approach the secondary market. Hence, the correct option is (C).

Quick Tip to Solve: New issue by a company means primary market; purchase of existing shares on a stock exchange means secondary market.

15. Statement I : Values are general rules for behaviour of individuals in society formed on the basis of common practice and principles after research in work situations.

Statement II : While practising principles of management, values cannot be neglected as businesses have to fulfil social and ethical responsibilities towards society.

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 true.

(D) Both the statements are false.

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

Solution:

Concept:

- Values are generally accepted moral rules guiding individual behaviour in society; they develop through common practice.
- Management principles are broad guidelines for managerial decisions, developed through observation, experimentation and research in work situations.

Step 1: Evaluate Statement I Statement I is true. Read its condensed comparison as: values are formed on the basis of common practice, and principles are formed after research in work situations. It distinguishes social rules for individual behaviour from researched guidelines for management. The phrase about research refers to principles, rather than to the origin of values.

Step 2: Evaluate Statement II and the alternatives Statement II is true. Applying management principles does not permit a business to disregard ethical conduct or its social responsibilities. Values must guide the way managers use these principles. Option (A) incorrectly rejects Statement II; (B) incorrectly rejects Statement I; and (D) incorrectly rejects both. Option (C) alone accepts both statements.

Step 3: Conclusion Both statements are true: values arise from common practice, principles from research, and values remain essential when principles are applied. Hence, the correct option is (C).

Quick Tip to Solve: Distinguish the origins: common social practice develops values; observation and research develop management principles.

16. Which of the following is a development function of Securities and Exchange Board of India ? [1 mark]

(A) Training of intermediaries of the securities market

(B) Promotion of fair practices and code of conduct in the securities market

(C) Undertaking steps for investor protection

(D) Prohibition of fraudulent and unfair trade practices

Correct Answer: (A) Training of intermediaries of the securities market

Solution:

Concept:

- SEBI performs protective, regulatory and development functions in the securities market.
- Development functions strengthen market institutions and participants through measures such as training intermediaries.

Step 1: Identify the development activity Training intermediaries of the securities market improves their knowledge, skills and professional competence. It helps the securities market develop and function more efficiently. Thus the activity described in option (A) is a development function of SEBI.

Step 2: Distinguish the protective activities Promotion of fair practices and a code of conduct in (B), undertaking steps for investor protection in (C), and prohibition of fraudulent and unfair trade practices in (D) protect investors and market integrity. These belong to SEBI's protective functions, rather than the development function asked for here.

Step 3: Conclusion Training of intermediaries of the securities market is a development function of SEBI. Hence, the correct option is (A).

Quick Tip to Solve: Classify training as market development; classify fraud prevention, fair conduct and investor protection as protective measures.

17. The element of promotion mix which involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public is : [1 mark]

(A) Personal selling

(B) Public relations

(C) Marketing

(D) Sales promotion

Correct Answer: (B) Public relations

Solution:

Concept:

- Public relations involves programmes designed to promote or protect the image of a company and its products in the eyes of the public.
- The promotion mix includes advertising, personal selling, sales promotion and public relations, each serving a distinct communication purpose.

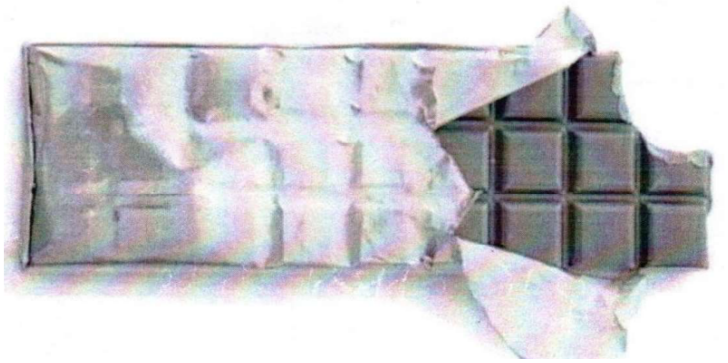
Step 1: Identify the defining phrase The words "promote or protect a company's image and "in the eyes of the public identify public relations. This activity builds favourable public opinion and goodwill towards the organisation and its products.

Step 2: Eliminate the other choices Personal selling in (A) is direct personal interaction with prospective buyers to make sales. Marketing in (C) is the wider process of identifying and satisfying customer needs, rather than a single element of promotion. Sales promotion in (D) uses short-term incentives such as discounts or coupons to encourage purchase; it is not the image-building programme described.

Step 3: Conclusion The promotion-mix element described is public relations. Hence, the correct option is (B).

Quick Tip to Solve: In promotion questions, connect public image and goodwill with public relations, and short-term buying incentives with sales promotion.

18. The level of packaging of the chocolate shown in the picture below is : [1 mark]



(A) Secondary packaging

(B) Transportation packaging

(C) Designer packaging

(D) Primary packaging

Correct Answer: (D) Primary packaging

Solution:

Concept:

- Primary packaging is the immediate container or wrapper of a product and stays with it until consumption or use.
- Secondary packaging is an additional protective layer; transportation packaging supports storage, identification and transport of multiple units.

Step 1: Read the pictured wrapper The picture shows a chocolate bar partly enclosed in its own immediate wrapper. This wrapper directly covers and protects the chocolate and is removed when the consumer eats it. It is therefore primary packaging.

Step 2: Compare the alternative levels Secondary packaging in (A) would be an additional outer pack

beyond the immediate wrapper. Transportation packaging in (B) would normally be a larger carton or similar pack for handling and shipping units. Designer packaging in (C) refers to appearance, not one of the standard levels of packaging. None describes the immediate wrapper shown.

Step 3: Conclusion The chocolate's immediate wrapper is primary packaging. Hence, the correct option is (D).

Quick Tip to Solve: Ask which layer touches or immediately contains the product: that layer is primary packaging, regardless of its colour or design.

19. The process of holding securities in electronic form is called dematerialisation. Which of the following statement does *not* relate to dematerialisation ? [1 mark]

(A) Smooth transfer and settlement of trade through a single account in shares

(B) Demat securities can be pledged or hypothecated to get loans

(C) No danger of loss, theft or forgery of share certificates

(D) Existing physical shares cannot be converted into electronic form

Correct Answer: (D) Existing physical shares cannot be converted into electronic form

Solution:

Concept:

- Dematerialisation converts physical securities into electronic balances held through a depository participant in a demat account.
- Electronic holding facilitates settlement and transfer and avoids risks associated with handling physical share certificates.

Step 1: Locate the incorrect statement Option (D) says that existing physical shares cannot be converted into electronic form. This is false: conversion of physical certificates into electronic holdings is precisely the process of dematerialisation. It is therefore the statement that does not relate correctly to dematerialisation.

Step 2: Check the remaining statements Option (A) correctly describes easier transfer and settlement through an account. Option (B) correctly states that demat securities can be pledged or hypothecated to obtain loans, subject to the relevant procedures. Option (C) correctly identifies removal of physical-certificate risks such as loss, theft and forgery. These benefits support, rather than contradict, dematerialisation.

Step 3: Conclusion The statement "Existing physical shares cannot be converted into electronic form is incorrect. Hence, the correct option is (D).

Quick Tip to Solve: Underline "not in the question, then remember that converting physical certificates into electronic holdings defines dematerialisation.

20. Match the various communication barriers given in Column II with their respective categories given in Column I :

Column I	Column II
P. Semantic Barriers	(i) Distrust
Q. Psychological Barriers	(ii) Lack of proper incentives
R. Organisational Barriers	(iii) Symbols with different meanings
S. Personal Barriers	(iv) Status

[1 mark]

(A) P–(i), Q–(ii), R–(iii), S–(iv)

(B) P–(iv), Q–(iii), R–(i), S–(ii)

(C) P–(iii), Q–(i), R–(iv), S–(ii)

(D) P–(iii), Q–(ii), R–(iv), S–(i)

Correct Answer: (C) P–(iii), Q–(i), R–(iv), S–(ii)

Solution:

Concept:

- Semantic barriers arise from problems in meaning; psychological barriers arise from the mental state and attitudes of communicators.
- Organisational barriers arise from organisational arrangements, while personal barriers arise from individual motives and concerns.

Step 1: Match meanings and mental attitudes P matches (iii): symbols with different meanings cause a semantic barrier because sender and receiver interpret the same expression differently. Q matches (i): distrust is a psychological barrier because lack of trust prevents the receiver from accepting or understanding communication with an open mind.

Step 2: Match organisational and personal factors R matches (iv): status is an organisational barrier because hierarchical position can inhibit free communication between superiors and subordinates. S matches (ii): lack of proper incentives is a personal barrier because an employee may have little motivation to communicate useful suggestions. Only option (C) contains all four matches. Options (A) and (B) misclassify semantic barriers; (D) interchanges distrust and lack of incentives.

Step 3: Conclusion The correct matching is P–(iii), Q–(i), R–(iv), S–(ii). Hence, the correct option is (C).

Quick Tip to Solve: Use these cues: meaning = semantic, distrust = psychological, hierarchy/status = organisational, and incentive = personal.

21. Praveen and Naveen are friends. Praveen became a professional after completing his MBBS from 'Hindu Medical College'. Naveen completed his MBA from IIM, Bangalore. In a discussion with Praveen, Naveen said that he too is a professional and is working with a multinational company as a senior manager getting a good package. Praveen was not convinced about the fact that Naveen was a professional in spite of being aware that nowadays there is increasing emphasis on managed business concerns. Praveen gave three reasons in support of his opinion. Explain the three reasons that Praveen might have given. [3 marks]

Solution:

Concept:

- Nature and Significance of Management: a profession ordinarily has restricted entry, a professional association and an enforceable ethical code, besides specialised knowledge and a service motive.
- Management satisfies some features of a profession, but it is not a full-fledged profession because several professional requirements are not compulsory for all managers.

Step 1: Relate Praveen's objection to restricted entry **No restriction on entry:** A medical practitioner must acquire the prescribed qualification, whereas there is no universally prescribed qualification or legal restriction for entering management. The case says Praveen became a professional after "completing his MBBS", while Naveen "completed his MBA". An MBA improves a manager's knowledge and employability, but it is not a compulsory licence to become a manager. A person without an MBA can also manage a business. Thus Naveen's degree alone does not make management a full-fledged profession.

Step 2: Explain the other two missing requirements **No compulsory membership of a professional association:** Management associations, such as the All India Management Association, exist, but every practising manager need not be a member. This differs from a profession in which its representative body regulates entry and professional practice. Naveen's work "as a senior manager" does not require such compulsory membership.

No universally binding ethical code: Management associations prescribe codes of conduct for members, but these are not legally binding on every manager. Therefore management does not have one compulsory professional code governing all its practitioners. The case's "increasing emphasis on managed business concerns" shows professionalisation, but does not establish universal enforcement of an ethical code.

Step 3: Conclusion Praveen could cite unrestricted entry, non-compulsory membership of a professional association and the absence of a universally binding ethical code. Management is moving towards professionalisation, but these limitations prevent it from being a full-fledged profession.

Quick Tip to Solve: Compare compulsory requirements, rather than salary or the prestige of an MBA, when judging whether management is a full-fledged profession.

22. Human resources are the most important asset of an organisation. The ability of an organisation to achieve its goal depends upon the quality of its human resources. The General Manager of 'Allied and Sons' appointed an IIM graduate, Pawan Rai, specialised in finance as Marketing Manager. On monthly evaluation, it was found that Pawan Rai's performance was not up to expectations and he was not able to meet the monthly targets of the organisation. The Chief Executive Officer (CEO) of the company asked for investigation into the matter. The CEO was told that Pawan Rai has a specialisation in finance but was appointed as a Marketing Manager. The CEO discussed this matter with the General Manager and explained to him the importance of putting the right person at the right job. He further explained that it would not only lead to higher performance but would also provide many other benefits. Besides the benefits of putting the right man at the right job, state the three other benefits which the CEO might have explained to the General Manager that are not given in the above para. [3 marks]

Solution:

Concept:

- Staffing places competent people in suitable positions and develops the organisation's human resources. Its importance extends beyond the immediate performance of a particular employee.
- NCERT benefits of staffing include continuous survival and growth, optimum utilisation of human resources, and improved job satisfaction and morale.

Step 1: Identify the benefit already given in the case The mismatch is shown by "a specialisation in finance but was appointed as a Marketing Manager". The CEO explains that putting the right person at the right job would "lead to higher performance". Since this benefit is already stated, it should not be repeated as one of the three additional benefits. The other benefits concern the organisation's future, the use of its people and employees' attitudes.

Step 2: State three additional benefits of staffing **Continuous survival and growth:** Staffing helps an organisation identify and develop managers who can take up higher responsibilities in the future. Succession planning prepares competent replacements when existing managers retire, leave or move to other positions. This maintains continuity and supports the enterprise's expansion.

Optimum utilisation of human resources: Staffing helps assess personnel requirements and avoids both overstaffing and understaffing. By placing and developing employees appropriately, it reduces wastage of human effort and ensures that available talent and capacity are effectively used.

Improved job satisfaction and morale: Objective assessment of employees, appropriate placement, fair rewards and opportunities for career advancement make employees feel recognised and provide them with a path for development. This improves their satisfaction and morale and encourages a positive attitude towards organisational work.

Step 3: Conclusion Besides the higher performance already mentioned, the CEO could explain that staffing ensures continuous survival and growth through succession planning, enables optimum utilisation of human resources, and improves job satisfaction and morale.

Quick Tip to Solve: Underline benefits already stated in a case, then select distinct remaining NCERT benefits so that your answer does not repeat the passage.

23(a). Explain any three points of importance of 'Controlling' function of management. [3 marks]

Solution:

Concept:

- Controlling compares actual performance with predetermined standards, analyses deviations and takes corrective action so that activities proceed according to plans.
- The importance of controlling includes accomplishing organisational goals, judging the accuracy of standards and ensuring efficient use of resources.

Step 1: Explain how controlling supports goals **Accomplishing organisational goals:** Controlling measures progress towards organisational goals by comparing actual results with the standards established during planning. It brings deviations to the manager's notice while there is an opportunity to correct them. Suitable corrective action then guides activities back towards the desired results. For example, if actual production falls below the planned output, management can examine the causes and remove the obstacle rather than merely waiting until the end of the period.

Step 2: Explain its contribution to standards and resources **Judging the accuracy of standards:** An effective control system checks whether the standards set earlier remain accurate and appropriate. Comparison with actual performance, together with examination of changes in the organisational environment, helps managers review and revise standards when necessary. This prevents control from being based on outdated or unrealistic targets; standards are reconsidered on evidence rather than changed simply to conceal poor performance.

Ensuring efficient use of resources: Controlling requires operations to follow predetermined standards and helps managers detect waste, misuse and inefficient methods. Correcting these deviations enables human, material and financial resources to be used economically and effectively. In this way the organisation obtains the intended output while avoiding unnecessary consumption of resources.

Step 3: Conclusion Controlling helps accomplish organisational goals through corrective action, tests the accuracy and continuing suitability of standards, and promotes efficient utilisation of resources by detecting and reducing wastage.

Quick Tip to Solve: For each importance point, link a control activity to its benefit: compare for goals, review for accurate standards, and correct waste for resource efficiency.

OR

23(b). 'Planning and Controlling are inseparable twins of management.' Explain the relationship between planning and controlling with the help of any three points. [3 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and establishes objectives and standards. Controlling compares actual performance with these standards and takes corrective action.
- Planning and controlling are interdependent: a plan gives direction to control, while control

supplies feedback for improving future plans.

Step 1: Explain how planning provides the basis for control **Planning is a prerequisite for controlling:** The objectives and standards laid down during planning become the yardsticks against which actual performance is measured. Without planned standards, a manager cannot determine whether performance is satisfactory or identify a deviation. Thus, control is meaningless without planning.

Step 2: Explain how control makes plans effective **Controlling ensures implementation of plans:** Merely preparing a plan does not ensure that the intended results will be achieved. Controlling measures performance, identifies deviations from the plan, analyses their causes and initiates corrective action. In the absence of control, plans may remain only on paper; control helps convert planned objectives into actual results.

Step 3: Connect control feedback with future planning **Controlling provides feedback for planning:** Information about actual performance and the causes of deviations helps managers review the realism of earlier assumptions and standards. They can revise future plans in the light of this experience. Therefore, planning guides present action and controlling feeds the results back into the next planning cycle.

Step 4: Conclusion Planning sets the standards, controlling ensures their achievement, and control feedback improves subsequent planning. Their continuous dependence on each other makes them inseparable twins of management.

Quick Tip to Solve: Link the two functions in a cycle: set standards through planning, compare and correct through control, then use feedback to improve the next plan.

24(a). Distinguish between 'Capital market' and 'Money market' on the basis of :

(i) Participants

(ii) Investment outlay

(iii) Safety [3 marks]

Solution:

Concept:

- The capital market deals in medium- and long-term funds, whereas the money market deals in short-term funds and monetary assets with a maturity of up to one year.
- The requested comparison concerns who participates, the size of investment required, and the relative risk of the instruments; these are distinct bases of comparison.

Step 1: Identify the markets before comparing them Capital-market instruments, such as equity shares and debentures, provide longer-term finance. Money-market instruments, such as Treasury bills and commercial paper, meet short-term financing and investment needs. Their different instruments and maturities explain the differences in investors, transaction size and safety.

Step 2: Present the three differences on the stated bases The differences are set out below.

Basis	Capital market	Money market
Participants	Financial institutions, banks, corporate entities, foreign investors and ordinary retail investors participate.	The principal participants are institutional investors, such as the RBI, commercial banks, financial institutions and finance companies.
Investment outlay	Securities can generally be purchased with a comparatively small investment; units of securities are relatively inexpensive and suit small savers.	Transactions normally require a large outlay, as instruments are issued or traded in large denominations, often in crores of rupees.
Safety	Investment is relatively riskier because returns and market values are uncertain, especially over longer periods.	Instruments are generally safer because of short maturities and the financial standing of issuers, so the risk of default is comparatively lower.

Step 3: Conclusion The capital market includes retail investors and permits smaller investments but is relatively riskier. The money market is mainly institutional, requires larger investments and is generally safer.

Quick Tip to Solve: Keep each row on one basis: participants means who invests, outlay means the amount needed, and safety means the relative risk of the instrument.

OR

24(b). State any three regulatory functions of the Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- The Securities and Exchange Board of India regulates the securities market to ensure orderly functioning, compliance with its rules and fair dealings by market participants.
- Regulatory functions supervise market institutions, intermediaries and corporate transactions. They are distinct from developmental activities, such as training intermediaries, and protective activities, such as checking insider trading.

Step 1: State the regulation of securities-market intermediaries **Registration and regulation of intermediaries:** SEBI registers and regulates stockbrokers, sub-brokers, merchant bankers, underwriters and other intermediaries associated with the securities market. By prescribing conditions for their functioning and supervising compliance, it brings their activities within a common regulatory framework.

Step 2: State the regulation of collective investment institutions **Registration and regulation of investment schemes:** SEBI registers and regulates the working of collective investment schemes, including mutual funds. This supervision subjects organisations that pool investors' money for investment to the prescribed rules and disclosure requirements, promoting orderly operation of these institutions.

Step 3: State the regulation of substantial share acquisitions **Regulation of takeovers:** SEBI regulates substantial acquisition of shares and takeover of companies. It prescribes and enforces the rules governing such transactions so that an acquisition of control takes place under an established regulatory procedure rather than through unregulated market conduct.

Step 4: Conclusion Three regulatory functions of SEBI are registration and regulation of securities-market intermediaries, registration and regulation of collective investment schemes including mutual funds, and regulation of substantial share acquisitions and company takeovers.

Quick Tip to Solve: For regulatory functions, choose actions involving registration, supervision or rules governing institutions and transactions; keep training and investor education in their separate categories.

25(a). Identify and explain the following :

(i) It is a job-oriented process which attempts to improve the performance of employees on the current job and prepares them for any intended job.

(ii) It is a career-oriented process which enables the overall growth of the employee. [4 marks]

Solution:

Concept:

- Training and development are parts of staffing that improve employees' abilities. Training focuses on the skills needed for a particular job; development focuses on an individual's wider growth.
- The distinction is identified from the scope and orientation of the process: immediate job performance indicates training, while long-term career growth indicates development.

Step 1: Identify and explain process (i) **(i) Training:** The words "job-oriented process" and "improve the performance of employees on the current job" identify training. It is the systematic process of increasing employees' knowledge, skills and aptitude for doing a specific job. It prepares them to perform the current job more effectively and also equips them for an intended job.

Job-related improvement: Training develops the particular abilities required by the work, such as operating equipment or following a prescribed procedure. Its scope is relatively narrow because the learning is directed towards better performance of defined duties. It can therefore reduce errors and improve the efficiency with which an employee carries out the assigned task.

Step 2: Identify and explain process (ii) **(ii) Development:** The words "career-oriented process" and "overall growth of the employee" identify development. It is a process designed to enable the overall growth of the individual, extending beyond the technical demands of the present job.

Wider and long-term growth: Development improves employees' understanding, attitudes and capabilities so that they can deal with changing situations and assume greater responsibilities in their careers. It has a broader scope than training: the emphasis is on the person and future potential, rather than only on proficiency in one present task.

Step 3: Conclusion Process (i) is **training**, which improves specific job performance. Process (ii) is **development**, which promotes the employee's overall growth and long-term career capabilities.

Quick Tip to Solve: Underline the orientation words: "job-oriented" points to training; "career-oriented" and "overall growth" point to development.

OR

25(b). Explain any two sources of recruitment for various job positions which bring new blood in the organisation and provide wider choice. [4 marks]

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation. External recruitment seeks applicants from outside the existing workforce.
- The clues "bring new blood" and "provide wider choice" indicate external sources of recruitment. They introduce fresh talent and give the employer access to a larger pool of candidates.

Step 1: Explain advertisement as an external source **1. Advertisement:** Vacancies may be advertised in newspapers, professional journals and trade journals. This source is commonly used when a wider choice of candidates is needed, especially for middle and higher level positions. A carefully prepared advertisement specifies the job, the qualifications and experience required, and the procedure for applying.

Reach and suitability: Publication allows people outside the organisation to learn about the vacancy and submit applications. It reaches candidates across a relatively wide geographical area, so the organisation can compare their qualifications and select suitable applicants. The choice of publication should suit the position: a specialised journal can reach people with the professional skills needed for a specialised job.

Step 2: Explain employment exchanges as an external source **2. Employment exchanges:** Employment exchanges run by the government maintain records of people seeking employment. An employer can notify an exchange of its vacancies and requirements; the exchange supplies names of registered job seekers who are suitable for those requirements.

Matching applicants to vacancies: This source is particularly useful in recruiting unskilled and skilled operative workers. The exchange links employers with applicants available in the labour market, saving the employer some initial effort in locating candidates. Those referred are still assessed by the organisation before appointment; registration or referral does not itself guarantee selection.

Step 3: Conclusion **Advertisement** and **employment exchanges** are two external sources of recruitment. Both seek candidates outside the organisation and can help it obtain fresh talent and a wider choice of applicants for suitable positions.

Quick Tip to Solve: When the clue is "new blood", name external sources and explain how each actually connects outside applicants with the employer; transfers and promotions are internal sources.

26(a). Identify and state any three features of the process of influencing people so that they strive willingly and enthusiastically towards the achievement of group goals. [4 marks]

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people so that they strive willingly and enthusiastically towards the achievement of organisational or group goals.
- A leader secures willing cooperation through influence and relationships with followers. Leadership therefore goes beyond merely issuing orders or possessing a formal managerial position.

Step 1: Identify the process from its definition The process is **leadership**. The defining words are "influencing people" and "willingly and enthusiastically towards the achievement of group goals". They indicate that the leader inspires followers to contribute voluntarily to a shared purpose. The question asks for any three features of this process.

Step 2: State three features of leadership

- **Ability to influence others:** Leadership involves influencing the behaviour of other people. A leader guides employees' efforts and encourages them to work with commitment, rather than relying only on compulsory obedience to orders.
- **Interpersonal relations between leader and followers:** Leadership signifies a relationship between the leader and the followers. It is exercised through interaction with people; the leader communicates, understands their concerns and obtains their cooperation in performing the work.
- **Achievement of common organisational goals:** Leadership is exercised to achieve common goals of the organisation. The leader directs the energy and efforts of followers towards these goals instead of allowing individual efforts to remain disconnected or serve conflicting purposes.

Step 3: Conclusion The process is **leadership**. Three features are its ability to influence others, the interpersonal relationship between a leader and followers, and its focus on achieving common organisational goals.

Quick Tip to Solve: Link "willingly and enthusiastically" with leadership; then state three distinct features rather than repeating the definition in different words.

OR

26(b). The process of stimulating people to action to accomplish desired goals is based on certain assumptions. State four such assumptions. [4 marks]

Solution:

Concept:

- Motivation means stimulating people to take action to accomplish desired goals. Needs create the internal urge that directs a person's behaviour towards their satisfaction.
- Maslow's need hierarchy theory explains motivation through needs arranged from basic physiological requirements to higher needs. The theory rests on assumptions about how needs affect behaviour and how people progress through the hierarchy.

Step 1: Relate the process to need-based motivation The process described is **motivation**. The four assumptions required are those underlying Maslow's need hierarchy theory, which connects motivation with the satisfaction of human needs. They explain why the same incentive may not motivate every employee equally at every stage.

Step 2: State the four assumptions

- **Behaviour is based on needs:** People's behaviour is based on their needs, and the satisfaction of such needs influences their behaviour. A person therefore acts in a way that helps satisfy an existing need.
- **Needs follow a hierarchy:** People's needs are arranged in a hierarchical order, starting with basic needs and progressing to higher-level needs. The theory places physiological needs at the base and self-actualisation at the highest level.
- **A satisfied need ceases to motivate:** Once a need has been satisfied, it can no longer serve as a motivator of behaviour. Attention shifts to needs that are still unsatisfied, so repeatedly offering the same satisfaction need not create the same motivation.
- **Lower needs precede higher needs:** A person moves to the next higher level of the hierarchy only when the lower-level need has been satisfied. Satisfaction at one level makes the next level important in directing the person's behaviour.

Step 3: Conclusion The four assumptions are that needs influence behaviour, needs are hierarchical, a satisfied need no longer motivates, and satisfaction of lower-level needs precedes movement to the next higher level.

Quick Tip to Solve: Remember the sequence: needs drive behaviour, needs have an order, satisfaction removes motivation, and attention then moves to the next level.

27. Managers in 'Galaxy Enterprises' faced lot of issues due to barriers in communication leading to creation of an environment of distrust and misunderstanding.

Suggest any four measures to improve communication effectiveness in 'Galaxy Enterprises'. [4 marks]

Solution:

Concept:

- Effective communication creates a common understanding between the sender and the receiver. Barriers must be reduced by improving both the message and the process of exchanging it.
- Galaxy Enterprises faces an environment of 'distrust and misunderstanding'. Its managers should use clear messages, suitable language, consultation and feedback to rebuild understanding.

Step 1: Clarify the message and adapt its language

- **Clarify ideas before communication:** Managers should first analyse what they wish to communicate and clearly identify the purpose of the message. They should organise the relevant facts logically before speaking or writing. This reduces confusing or contradictory instructions, which would otherwise add to the misunderstanding at Galaxy Enterprises.
- **Be aware of the language, tone and content:** The words should be understandable to the receiver, the tone should convey respect, and the content should relate to the matter being discussed. Avoid

technical terms that the receiver does not know, ambiguous expressions and an unnecessarily harsh tone. A clear, considerate message is less likely to be misinterpreted.

Step 2: Encourage participation and verify understanding

- **Consult others before communicating:** While preparing an important plan or message, managers should involve the people concerned and seek their suggestions. Consultation helps them frame a more acceptable message and develops cooperation. In the stated environment of 'distrust', such participation can also make employees more willing to receive and act on the communication.
- **Ensure proper feedback:** Managers should provide an opportunity for receivers to ask questions and respond. They should check whether the message has been understood in its intended sense, rather than assuming that merely sending it completes communication. Feedback reveals doubts and misunderstandings so that these can be corrected promptly.

Step 3: Conclusion Galaxy Enterprises can improve communication through clarifying ideas, using appropriate language, tone and content, consulting the people concerned, and ensuring proper feedback. These measures directly address the case's 'distrust and misunderstanding'.

Quick Tip to Solve: For communication remedies, cover both sides of the exchange: make the message clear and invite the receiver's response to check understanding.

28. State any four factors affecting the decision which relates to how much of the profits earned by a company will be distributed and how much will be retained in the business. [4 marks]

Solution:

Concept:

- The dividend decision concerns the proportion of profit to distribute to shareholders as dividend and the proportion to retain for reinvestment in the business.
- A company balances shareholders' desire for income against the funds needed for its operations and future growth. Its ability to pay also depends on cash, not merely accounting profit.

Step 1: State the earnings-related factors

- **Amount of earnings:** Dividends are paid out of current and past earnings. Therefore, the amount of earnings available is an important determinant of the dividend decision. Other things remaining the same, a company with higher earnings can distribute a larger dividend, while low earnings restrict the amount it can distribute without drawing heavily on accumulated profits.
- **Stability of earnings:** A company with stable earnings is in a better position to declare a higher dividend because it can predict its future earnings with greater confidence. A company whose earnings fluctuate widely is generally more cautious: retaining a larger proportion helps it meet commitments and maintain a reasonable dividend when earnings fall.

Step 2: State the liquidity and growth factors

- **Cash flow position:** Payment of dividend involves an outflow of cash. A company must therefore have sufficient cash available before declaring a dividend. Even a profitable company may distribute a smaller dividend if its funds are tied up in inventories, receivables or other business requirements;

accounting profit alone does not establish the ability to pay.

- **Growth opportunities:** Companies with good growth opportunities generally retain more of their earnings to finance the investment required for expansion. Consequently, they may pay a lower dividend. A company with fewer such opportunities may distribute a larger proportion, since its need to retain profits for future investment is comparatively smaller.

Step 3: Conclusion The decision described is the **dividend decision**. Four factors affecting it are the amount of earnings, stability of earnings, cash flow position and growth opportunities.

Quick Tip to Solve: Link every factor to the payout: higher reliable earnings and adequate cash support dividends, while attractive growth opportunities encourage retention.

29. Kaveri is busy in preparing the financial blueprint for her organisation's future operations. She feels that detailed plans of action reduce waste and duplication of efforts. However, her friend, Sana feels that in an uncertain and dynamic world, this type of planning may not work. Kaveri again stresses on her statement and explains why this financial blueprint is important.

Identify the concept and state three points of its importance in addition to those explained in the above para. [4 marks]

Solution:

Concept:

- Financial planning is the preparation of a financial blueprint of an organisation's future operations. It involves estimating the funds required and specifying their sources.
- Its purpose is to ensure that adequate funds are available at the right time and to avoid unnecessary excess funding. It connects financial decisions with the organisation's business plans.

Step 1: Identify the financial blueprint The concept is **financial planning**. The words "preparing the financial blueprint for her organisation's future operations" directly identify it. The reference to reducing "waste and duplication of efforts" already gives one importance of financial planning, so the additional points must be different from that benefit.

Step 2: State three additional points of importance

- **Forecasting and preparing for different situations:** Financial planning helps forecast what may happen in the future under different business situations. By considering alternative financial plans, the organisation can prepare for changing requirements instead of arranging funds only when a difficulty occurs.
- **Coordinating business functions:** It coordinates functions such as sales and production by making their financial requirements consistent. For example, the funds needed for planned production must support the sales programme, so the separate departmental plans work towards common organisational objectives.
- **Linking investment and financing decisions:** It provides a continuous link between the decisions about where funds will be invested and how those funds will be raised. Consequently, proposed investments can be considered together with the availability and suitability of financing rather than as isolated decisions.

Step 3: Conclusion Kaveri is undertaking **financial planning**. In addition to reducing waste and duplication, it helps forecast and prepare for future situations, coordinates business functions, and links investment decisions with financing decisions.

Quick Tip to Solve: The phrase "financial blueprint" identifies financial planning. When asked for additional importance, exclude the benefit already described in the case.

30. 'MVT Ltd.' is a leading cosmetic manufacturing company. It has its own consumer service and grievance redressal centre to address consumer concerns. The mobile phone number of the consumer service and grievance redressal cell is printed on the labels of all its products as a policy to get feedback or complaints from their consumers. It also runs various programmes to educate the consumers about their rights and reliefs available to them in case a product or service falls short of their expectations.

Explain the two rights of the consumers which are being promoted by the company. [4 marks]

Solution:

Concept:

- Consumer protection gives consumers rights that help them express dissatisfaction, obtain information about protection available to them, and act against unfair practices.
- The right to be heard concerns presenting consumer interests and grievances. The right to consumer education concerns acquiring knowledge and skills to act as an informed consumer.

Step 1: Explain the right to be heard **Meaning:** A consumer has the right to be heard and to be assured that the consumer's interests will receive due consideration at appropriate forums. Consumers must have an opportunity to voice complaints and concerns about goods or services; their dissatisfaction should reach those responsible for considering it.

Evidence from the case: MVT Ltd. has its own "consumer service and grievance redressal centre" and prints the cell's mobile number on product labels "to get feedback or complaints from their consumers". These arrangements give buyers a direct channel for communicating their concerns. Thus, the company is promoting the **right to be heard**.

Step 2: Explain the right to consumer education **Meaning:** A consumer has the right to acquire knowledge and skills to be a well-informed consumer throughout life. This includes awareness of consumer rights, the reliefs available and the remedies that can be used when goods or services are unsatisfactory. Such knowledge enables consumers to protect themselves and make effective use of the protection available.

Evidence from the case: The company "runs various programmes to educate the consumers about their rights and reliefs available to them". These programmes develop awareness of what consumers can demand and how they may respond if a product or service falls short of expectations. Therefore, the second right promoted is the **right to consumer education**.

Step 3: Conclusion The two rights promoted by MVT Ltd. are the **right to be heard**, through its complaint and feedback channel, and the **right to consumer education**, through programmes explaining consumers' rights and available reliefs.

Quick Tip to Solve: Match a complaint channel with the right to be heard, and awareness programmes with consumer education. Explain the right and quote its separate clue from the case.

31(a). What is meant by 'Formal Organisation' ? State any four advantages of Formal Organisation.

[6 marks]

Solution:

Concept:

- Formal organisation is the structure of authority relationships deliberately created by management to achieve organisational objectives.
- It specifies the jobs to be performed, the responsibilities attached to each position and the reporting relationships through which employees work together.

Step 1: Explain the meaning of formal organisation A **formal organisation** is the organisational structure designed by management to accomplish a particular task. It clearly spells out the boundaries of authority and responsibility and establishes relationships among different jobs. Each employee knows the work assigned to the position and the person to whom the employee must report. The emphasis is on officially prescribed positions and relationships rather than on personal friendships. Its rules, procedures and lines of communication direct the efforts of individuals towards the organisation's objectives.

Step 2: State four advantages

- **Easier fixation of responsibility:** Since duties and responsibilities are clearly specified for each job, it is easier to identify who is responsible for performing a task. If work is not completed, accountability can be traced to the concerned position rather than left uncertain among several employees.
- **Avoidance of duplication of effort:** The role of each member and the work assigned to each department are defined. This removes ambiguity and prevents different employees from unnecessarily doing the same work, thereby saving organisational time and resources.
- **Maintenance of unity of command:** The formal structure establishes a chain of command and states who reports to whom. Employees receive instructions through the prescribed superior, reducing confusion caused by conflicting orders and clarifying the route through which matters must be referred.
- **Achievement of organisational goals:** A framework for the operations to be performed is provided, and rules and procedures guide employee behaviour. The work of different individuals and departments can therefore be coordinated so that their efforts contribute to common objectives.

Step 3: Conclusion Thus, formal organisation is a deliberately designed structure of jobs and authority relationships. Its four advantages are clear responsibility, avoidance of duplication, maintenance of unity of command and coordinated achievement of organisational goals.

Quick Tip to Solve: Begin with the deliberately designed structure, then link each advantage to a feature: defined duties, defined roles, the reporting chain and common objectives.

OR

31(b). Give the meaning of 'Divisional Structure' of an organisation. State any four advantages of this structure. [6 marks]

Solution:

Concept:

- A divisional structure groups organisational activities into separate divisions on the basis of products, each division containing the functions needed for its product.
- Each division operates as a relatively self-contained unit under a divisional manager who is accountable for its performance; overall policy and coordination remain with top management.

Step 1: Explain divisional structure **Divisional structure** is an organisational structure in which activities are grouped into separate units or divisions on the basis of products. Each division has the resources and functional activities, such as production, marketing and finance, needed for its product line. A divisional head is responsible for the division's operations and results. Thus, an enterprise producing several different product lines can organise each line as a distinct division, while top management provides overall direction and coordination. It is particularly suitable for large organisations manufacturing diverse products.

Step 2: State four advantages

- **Development of managerial skills:** A divisional head gains experience in all the functions connected with a product rather than in only one specialised function. This exposure develops varied skills and prepares the manager for higher positions in general management.
- **Accountability for performance:** Each division's revenues and costs can be identified separately. Responsibility for a division's profit or loss can therefore be fixed on its head, and its performance can be assessed. This helps management take suitable corrective action when a division performs poorly.
- **Flexibility and initiative:** Each division functions as an autonomous unit within overall organisational policy. Its manager can make decisions suited to the division's circumstances, encouraging initiative and enabling faster decisions without referring every operating matter to the head office.
- **Facilitation of expansion and growth:** New product divisions can be added without seriously interrupting the operations of existing divisions. The organisation can therefore expand into additional product lines while retaining the established arrangements for its present products.

Step 3: Conclusion Divisional structure organises work into product-based divisions. Four advantages are development of managers for higher positions, clear accountability for results, greater flexibility and initiative, and easier organisational expansion and growth.

Quick Tip to Solve: Think of each product division as a relatively complete business unit: this explains managerial experience, measurable results, operating autonomy and easy addition of new products.

32(a). 'The physical handling and movement of goods from the place of production to the place of distribution is an important element of marketing mix.'

(i) Name and state the element.

(ii) Explain any three main components of this element. [6 marks]

Solution:

Concept:

- Physical distribution is the part of marketing concerned with the physical handling and movement of goods from the producer to the consumer. It makes the product available at the right place and time.
- A physical distribution system coordinates order processing, transportation, warehousing and inventory control. These activities must work together so that customers receive goods reliably at a reasonable distribution cost.

Step 1: Identify and state the element The element described is **physical distribution**, which forms part of the place or distribution element of the marketing mix. The words "physical handling and movement of goods" identify this activity. It covers the actual flow of finished goods from the place of production towards the customers who need them. Selecting a channel determines the route and intermediaries; physical distribution ensures that goods actually move through that route and are available for purchase.

Step 2: Explain order processing **Order processing:** A distribution system begins with the receipt of an order. The firm must process it accurately and promptly, check the required goods and arrange their dispatch. The time between receiving the order and delivering the goods affects customer service. A delay or an error in processing may send the wrong quantity or product, or leave a customer waiting despite the goods being available. A reliable order-processing system therefore connects the customer's demand with the firm's delivery arrangements and helps secure repeat business.

Step 3: Explain transportation **Transportation:** This is the movement of goods from the point of production to the places where they are required for consumption or sale. Goods normally have to travel because production and consumption take place at different locations. An appropriate transport arrangement creates place utility by making products accessible to buyers. The firm selects a suitable means of transport after considering delivery speed, reliability, cost and the nature of the goods. Efficient transportation supports timely supplies while avoiding unnecessary distribution expense.

Step 4: Explain warehousing **Warehousing:** This means storing and holding goods until they are needed for sale or consumption. It creates time utility by bridging the gap between production and demand. A firm must decide how many warehouses to maintain and where to locate them. Warehouses nearer customers can shorten delivery time and improve service, but additional warehouses also increase storage and operating costs. Management balances these costs against the benefit of quick and dependable availability. Warehousing is particularly useful when production and consumption do not occur at the same time.

Step 5: Conclusion The identified element is **physical distribution**. Order processing translates orders into dispatch instructions, transportation moves the goods, and warehousing holds them until required. Together these three components help make products available to customers at the

appropriate place and time.

Quick Tip to Solve: Identify physical distribution from the movement of goods. For its components, explain what happens to the order, how goods move and where they wait; do not substitute the names of distribution channels.

OR

32(b). 'It is the single most important element affecting the revenue and profits of a firm.' Name and state this element of marketing mix. Explain any three factors affecting the determination of this element of marketing mix. [6 marks]

Solution:

Concept:

- Price is the amount of money a buyer must pay to obtain a product. Pricing is the marketing-mix decision that directly determines the revenue received from selling it.
- Price determination requires balancing the firm's costs with the value customers perceive and the competitive conditions of the market. A sustainable price must support the firm's objectives as well as attract buyers.

Step 1: Name and state the element The element is **price**. It is the amount of money paid by the buyer in consideration of the purchase of a product. The clue "affecting the revenue and profits of a firm" points to price because it produces sales revenue, whereas the other elements of the marketing mix involve expenditure. A price that is too high may discourage purchases; a price that is too low may increase sales yet fail to recover costs. Thus, deciding the price is a major marketing decision.

Step 2: Explain the influence of product cost **Product cost:** The cost of producing, distributing and selling the product is an important basis for deciding its price. Total cost includes fixed costs, which do not change with output within a relevant range, and variable costs, which vary with production. The firm normally seeks a price that recovers the total cost and provides a reasonable profit in the long run. Cost therefore places a lower limit on a sustainable price. A temporary price below total cost may sometimes serve a special short-term purpose, but it cannot normally support continuing operations indefinitely.

Step 3: Explain utility and demand **The utility and demand:** A buyer purchases a product when its perceived utility justifies the price charged. The utility valued by customers and the intensity of their demand therefore place an upper limit on what they will pay. The firm must also consider the price elasticity of demand. Where demand is elastic, a price increase can cause a proportionately larger fall in quantity demanded, so the firm must be cautious. Where demand is relatively inelastic, customers are less sensitive to a change in price. Cost alone cannot determine the selling price if customers do not perceive sufficient value.

Step 4: Explain the extent of competition **Extent of competition in the market:** The prices and quality of competing products provide an important reference when fixing a price. If many close substitutes are available, buyers can switch to rival firms, limiting the scope for charging a substantially higher price. If competition is limited, the firm may enjoy greater freedom in pricing. Management

therefore studies competitors' offers and compares the benefits of its own product before deciding its position. A higher price must be supported by benefits that customers value; simply adding a profit margin to cost may produce an uncompetitive offer.

Step 5: Conclusion The element is **price**, the money a buyer pays to obtain the product. Three factors affecting its determination are **product cost**, **utility and demand**, and the **extent of competition in the market**. They respectively indicate cost recovery needs, customers' willingness to pay and the constraint imposed by rival offers.

Quick Tip to Solve: For pricing factors, organise the answer around the firm, the customer and competitors: cost recovery, perceived utility and demand, and rival prices. Explain how each factor changes pricing freedom.

33. A famous cricket coach, Alam Raza was hired by Sports College, Indore to coach the college cricket team for a National level competition. In the first meeting itself, the Principal of the college announced that the players would enter into an agreement with the college. The agreement would state the reporting time for players on the field and other rules and regulations. Failure to obey the agreement and rules would lead to judicious application of penalties. It was also announced by the College Principal that the players would receive orders from the coach and they would all be responsible only to the coach, to prevent confusion regarding tasks to be done. The coach was very determined to train the players to win, as the entire responsibility was on his shoulders. He promoted the spirit of mutual trust and belongingness among the team members without which he felt it would be difficult to win. The players were also enthusiastic and the training started in full swing.

Identify and explain the three principles of management discussed in the above case. [6 marks]

Solution:

Concept:

- Fayol's principles of management are general guidelines for managerial action. The agreement on conduct, the single reporting relationship and the emphasis on team spirit indicate three different principles.
- Discipline requires respect for agreed rules; unity of command gives each employee one superior; esprit de corps promotes unity and harmony in a group.

Step 1: Identify and explain discipline **Discipline:** The case states that the agreement would specify the players' "reporting time" and "other rules and regulations", with "judicious application of penalties" for disobedience. This illustrates discipline: obedience to organisational rules and the employment agreement necessary for the working of the organisation.

Discipline requires good superiors at all levels, clear and fair agreements, and judicious use of penalties. Here, the agreement makes expected behaviour clear before training begins, while fair penalties support compliance. Players must honour the agreed reporting time and rules so that practice can proceed in an orderly manner.

Step 2: Identify and explain unity of command **Unity of command:** The players would "receive orders from the coach" and "be responsible only to the coach". According to this principle, each employee should receive orders from, and be accountable to, only one superior.

Two superiors giving instructions to the same subordinate can create confusion, conflicting directions and difficulty in fixing responsibility. A single reporting relationship protects authority and discipline. In the case, the coach alone directs the players' work, so they know whose instructions to follow and who will assess their performance. This is unity of command, rather than unity of direction, which concerns one head and one plan for activities sharing an objective.

Step 3: Identify and explain esprit de corps **Esprit de corps:** The coach "promoted the spirit of mutual trust and belongingness among the team members". This principle requires management to promote team spirit, unity and harmony among employees.

A manager should encourage cooperation and a sense of belonging so that members work together towards a common goal instead of allowing unnecessary divisions and rivalry. Fayol emphasised replacing an attitude of "I" with "we". By fostering trust among the players, the coach strengthens their willingness to support one another and coordinate their efforts to win the competition.

Step 4: Conclusion The three principles are **discipline**, shown by the agreement and fair penalties; **unity of command**, shown by accountability only to the coach; and **esprit de corps**, shown by mutual trust and belongingness within the team.

Quick Tip to Solve: Link each case clue to its precise principle: rules and penalties mean discipline, one reporting superior means unity of command, and team belongingness means esprit de corps.

34. 'Diamond Logistics Company' had a turnover of ₹ 25 lakh during the year ended 31st March, 2022. In a board meeting held on 15th April, 2022, it was decided to achieve a turnover of ₹ 45 lakh for the next year. To accomplish this objective after taking into consideration the business environment, a comprehensive plan was drawn. The Chief Executive Officer (CEO) of the company also released a plan that would not only guide the thinking of the managers and their decision-making but also channelise their energies towards achievement of this target.

Identify and explain the three types of plans discussed in the above para. [6 marks]

Solution:

Concept:

- Plans differ in their purpose. Objectives specify desired results, strategies provide a comprehensive approach to achieving them, and policies guide managerial thinking and decisions.
- A strategy takes account of the business environment, whereas a policy provides a broad framework within which managers exercise discretion. Both support the achievement of organisational objectives.

Step 1: Identify and explain the objective **Objective:** The board's decision "to achieve a turnover of Rs 45 lakh for the next year" is the company's objective. An objective is the desired future position that management seeks to achieve; it is the end towards which organisational activities are directed.

The target specifies both a measurable result and a time period, giving managers a clear destination for their efforts. It is the starting point for planning because other plans are developed to accomplish it. The turnover of Rs 25 lakh is the previous year's result, while Rs 45 lakh is the planned future result. The latter is therefore the objective identified in the case.

Step 2: Identify and explain the strategy **Strategy:** The statement that, after considering "the business environment, a comprehensive plan was drawn" refers to a strategy. A strategy is a comprehensive plan for accomplishing an organisation's objectives, taking account of its environment.

It provides a broad outline of the organisation's business and direction. It includes determining long-term objectives, adopting a course of action, and allocating the resources necessary to achieve those objectives. By considering environmental conditions before deciding its overall approach, Diamond Logistics connects its turnover target with a suitable course of action. The comprehensive nature of this plan and its environmental orientation are the clues that identify it as a strategy.

Step 3: Identify and explain the policy **Policy:** The CEO's plan would "guide the thinking of the managers and their decision-making" and "channelise their energies towards achievement of this target". This is a policy. Policies are general statements that guide thinking and channelise energies towards a particular direction.

A policy establishes broad parameters within which managers make decisions. It brings consistency to decisions while allowing some discretion to address particular situations. It therefore helps managers take decisions aligned with the company's objective, rather than having to seek a fresh direction for every recurring issue. No specific policy content is stated in the case; its guiding role is sufficient to identify the type of plan.

Step 4: Conclusion The three types of plans are an **objective** (turnover of Rs 45 lakh next year), a **strategy** (the comprehensive plan drawn after considering the business environment), and a **policy** (the CEO's broad guide to managerial thinking and decision-making).

Quick Tip to Solve: Identify the role of each plan: a desired result is an objective, a comprehensive environmental approach is a strategy, and a broad decision guide is a policy.