CBSE Class 12 Business Studies Question Paper 2023 with Solution PDF-Set 66/3/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question paper contains **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. 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 enables investors to buy and sell securities that have already been issued. Stock exchanges provide an organised platform for these transactions.
- The primary market concerns a fresh issue of securities by a company, whereas the money market deals in short-term funds and instruments.

Step 1: Identify the transaction Rahul wishes to buy shares which are already being traded at the National Stock Exchange. The words being traded show that the shares are existing securities, rather than a fresh issue offered by Rexter Ltd.

Step 2: Select the relevant market He should buy through the secondary market. The money market does not deal in such equity-share trading. The primary market is inappropriate because the company is not issuing new shares to him; therefore, the combination of primary and secondary markets is also incorrect.

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

Quick Tip to Solve: Look for a new issue versus existing traded shares: listed shares already in circulation are bought in the secondary market.

2. 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 improve the market and strengthen its participants.
- Training intermediaries develops their knowledge and professional ability, helping the securities market operate more efficiently.

Step 1: Identify the development activity Training of intermediaries of the securities market increases the competence of those who facilitate transactions. It develops the market infrastructure and its participants rather than simply stopping malpractice.

Step 2: Distinguish the protective activities Promotion of fair practices and a code of conduct, investor-protection measures, and prohibition of fraudulent and unfair trade practices are protective functions. They safeguard investors and market integrity. Therefore, options (B), (C) and (D) do not answer the development-function requirement.

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 SEBI activities by purpose: training develops participants; preventing fraud and protecting investors are protective functions.

3. 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 general rules governing the behaviour of individuals in society and are formed on the basis of common practice.
- Management principles are broad guidelines developed through research in work situations. Their application must respect social and ethical values.

Step 1: Evaluate Statement I Statement I contrasts the origins of values and principles: values arise from common practice, while principles arise from research in work situations. The words and principles after research refer to the formation of principles. This distinction agrees with the nature of management principles, so Statement I is true.

Step 2: Evaluate Statement II and compare the options Businesses have social and ethical responsibilities towards society. Managers cannot ignore values while applying management principles merely to obtain efficiency or profit. Statement II is therefore also true. Options (A) and (B) wrongly reject one true statement, while option (D) wrongly rejects both.

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

Quick Tip to Solve: Remember the distinction in origin: values come from common social practice; management principles come from research in work situations.

4. 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 covers programmes intended to promote or protect the image of a company and its products in the eyes of the public.
- The promotion mix contains distinct tools; the purpose described in the question determines which tool is being used.

Step 1: Identify the decisive wording The question emphasises programmes that promote or protect a company's image in the eyes of the public. Building and maintaining a favourable public image is the defining concern of public relations.

Step 2: Eliminate the other alternatives Personal selling involves direct personal interaction with prospective buyers. Sales promotion offers short-term incentives such as discounts or contests to stimulate purchases. Marketing is the broader process of identifying and satisfying customer needs, rather than this specific element of the promotion mix.

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

Quick Tip to Solve: Link image, goodwill and relationships with the public to public relations; link short-term purchase incentives to sales promotion.

5. 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 account. Existing paper certificates can therefore be converted into electronic form.
- Electronic holdings facilitate transfers and settlements, can be pledged for loans, and avoid risks associated with physical certificates.

Step 1: Apply the meaning of dematerialisation The question asks for the statement that does not relate to dematerialisation. Option (D) says that existing physical shares cannot be converted into electronic form. This directly contradicts the process: conversion of physical certificates is precisely what dematerialisation enables.

Step 2: Check the remaining statements A demat account facilitates smooth transfer and settlement of securities. Demat securities can be pledged or hypothecated to obtain loans, and electronic holdings eliminate the danger of loss, theft or forgery of physical share certificates. Thus (A), (B) and (C) describe valid features or advantages.

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

Quick Tip to Solve: Underline not first: dematerialisation means converting physical certificates into electronic holdings, so a denial of conversion is incorrect.

6. 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 concern the interpretation of words and symbols; psychological barriers arise from the mental state or attitudes of communicators.
- Organisational barriers arise from organisational structure and relationships, whereas personal barriers arise from individual concerns or incentives.

Step 1: Match meanings and mental attitudes P matches (iii): symbols with different meanings create a semantic barrier because sender and receiver may interpret the same symbol differently. Q matches (i): distrust creates a psychological barrier because the receiver may not accept a message from someone not trusted.

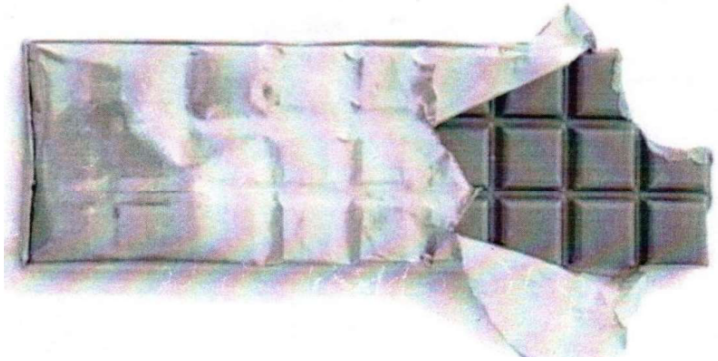
Step 2: Match status and incentives R matches (iv): status is an organisational barrier because superior-subordinate relationships can restrict free communication. S matches (ii): lack of proper

incentives is a personal barrier because an individual may be unwilling to communicate when no benefit is perceived. Only option (C) contains all four correct matches; the other combinations misclassify these barriers.

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 four cues: meaning–semantic; distrust–psychological; status–organisational; incentives–personal.

7. 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. It directly contains and protects the product offered to the consumer.
- Secondary packaging provides an additional layer around the primary package; transportation packaging supports bulk handling, storage and movement.

Step 1: Inspect the package shown The picture shows an individual chocolate bar with its wrapper peeled back. This wrapper is immediately around the chocolate itself and is the first layer containing the product. It therefore represents primary packaging.

Step 2: Distinguish the other levels Secondary packaging would be an additional outer package around the immediate wrapper. Transportation packaging would group products for handling or shipment, such as a bulk carton. Neither is shown. Designer packaging is not the relevant level in the standard classification; appearance does not change the immediate wrapper into a different level.

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

Quick Tip to Solve: Identify the layer closest to the product: the immediate chocolate wrapper is primary packaging, even when it has an attractive design.

8. 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:

- Consumer Protection: the consumer redressal machinery provides District, State and National Commissions to hear consumer complaints.
- Under the Consumer Protection Act, 2019 pecuniary limits used in this paper, the State Commission entertains original complaints where the consideration paid exceeds Rs 1 crore but does not exceed Rs 10 crore.

Step 1: Identify the value and grievance Sarita paid Rs 5 crore for her flat. The leaking roof, poor construction and falling plaster describe deficient housing services. Her complaint therefore belongs before a consumer commission having the relevant original pecuniary jurisdiction.

Step 2: Choose the appropriate commission Rs 5 crore lies above Rs 1 crore and within Rs 10 crore, so the applicable textbook category is the State Commission. The District Commission covers the lower category and the National Commission the category above Rs 10 crore under these limits. The Supreme Court is not the initial consumer forum for this complaint.

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

Quick Tip to Solve: For a pecuniary-jurisdiction MCQ, first identify the consideration paid and compare it with the limits applicable to the question.

9. 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:

- Business Environment: the legal environment includes laws, judicial decisions and binding directions that regulate business conduct.
- A court directive requiring a business to stop or modify its activities creates a legal obligation to comply.

Step 1: Locate the decisive clue The case says that the Supreme Court has ordered an immediate stop on commercial activities and directed the Agra Development Authority to ensure compliance. The restriction is therefore a binding judicial direction affecting businesses near the Taj Mahal.

Step 2: Distinguish the dimensions This is the legal dimension because the source of the obligation is a court ruling. Social environment concerns customs and preferences; technological environment concerns methods and innovations. Political environment concerns government policy and political conditions, whereas the immediate trigger here is a judicial order.

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

Quick Tip to Solve: A court ruling, statutory requirement or compulsory compliance direction points directly to the legal environment.

10. '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 relationships, allocates work and creates the structure through which organisational activities are performed.
- Adaptation to change means modifying the organisation structure to accommodate changes in the business environment.

Step 1: Connect the case to organising Compro Solutions suitably modified its organisation structure during Covid-19 so that employees could work from home. The words about accommodating environmental changes and creating flexibility show the organisation adjusting its arrangements to new conditions.

Step 2: Eliminate the other benefits Adaptation to change is the benefit directly demonstrated. Specialisation results from repeatedly performing assigned tasks; development of personnel concerns growth through delegation and experience. Clarity in working relationships concerns who reports to whom. None is the central feature of the change described here.

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

Quick Tip to Solve: When a case emphasises modifying structure in response to new conditions, select adaptation to change.

11. 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:

- The social environment includes demographic conditions, educational characteristics, habits, customs and values of society.
- The economic environment includes economic variables such as money supply, interest rates, income and inflation.

Step 1: Classify the social factors Life expectancy is a demographic characteristic of society. The education system and literacy rates describe social development. Consumption habits reflect the preferences and behaviour of people. Thus options (A), (B) and (C) all belong to the social environment.

Step 2: Identify the exception Money supply in the economy is the quantity of money available within the economic system. It influences liquidity, spending and financial conditions, so it is an economic variable rather than a social characteristic. The question asks for the factor that is not social.

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: For a negative classification question, group the similar options first; monetary variables belong to the economic environment.

12. 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:

- Middle management links top management and supervisory management by translating broad policies into departmental action.
- Top management analyses the business environment and its implications for the survival and long-term direction of the entire firm.

Step 1: Identify the strategic responsibility Analysing the business environment and its implications for survival concerns the enterprise as a whole and its long-term success. Such strategic assessment is

a function of top management, so option (A) is the exception asked for.

Step 2: Check the departmental responsibilities Middle managers interpret the policies framed by top management, ensure that their department has necessary personnel and motivate departmental employees to achieve desired objectives. Options (B), (C) and (D) are therefore genuine middle-management functions and cannot answer the negative question.

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

Quick Tip to Solve: Whole-firm survival and strategic direction indicate top management; implementation within departments indicates middle management.

13. 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: its forces keep changing through shifts in consumer preferences, technology and other external conditions.
- Businesses must respond to these changes by modifying their products and methods to remain relevant to customers.

Step 1: Identify the change in preferences Consumers are increasingly making eco-friendly and healthy choices, rejecting plastic and replacing it with stainless steel and ceramic containers. The case emphasises a shift in preferences over time which forces businesses to change their offerings.

Step 2: Choose the feature precisely Dynamic nature captures the continuing change in the environment. Totality refers to the aggregate of external forces, and specific and general forces classify them. Inter-relatedness stresses links among different environmental dimensions; the decisive emphasis here is the changing consumer preference itself.

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

Quick Tip to Solve: Changing tastes, technology or market conditions over time are clues to the dynamic nature of business environment.

14. 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 is the withdrawal of the legal-tender status of specified currency notes.
- The November 8, 2016 announcement withdrew that status from the existing Rs 500 and Rs 1000 notes, subject to specified temporary exceptions.

Step 1: State the meaning A note that ceases to be legal tender no longer has the ordinary official status for settling payments. The specified old Rs 500 and Rs 1000 notes therefore ceased to be legal tender except for a few expressly permitted purposes during the transition.

Step 2: Reject the incorrect interpretations Option (B) reverses the position by claiming unrestricted use outside banks. Option (C) incorrectly treats demonetisation as a right to convert notes into gold. Option (D) invents a general household-versus-business distinction. The withdrawal concerns legal-tender status, not those uses or conversion claims.

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 phrase for demonetisation: withdrawal of legal-tender status of specified currency notes.

15. 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 calls for a complete mental revolution in the attitudes of workers and management towards one another.
- Both sides should recognise their shared interests in the prosperity of the enterprise rather than pursue conflict over its gains.

Step 1: Identify the central clue The words "complete mental revolution are decisive. Management should share gains with workers, while workers should work hard and accept beneficial changes. Both sides must transform their thinking so that industrial peace replaces discord.

Step 2: Distinguish the other principles Science, not rule of thumb concerns finding scientifically tested methods. Cooperation, not individualism stresses joint effort and consultation, but the complete change of attitude described here specifically expresses harmony, not discord. Development of every person concerns scientific selection and training to improve individual efficiency.

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

Quick Tip to Solve: Link "mental revolution and a change in the attitudes of both parties directly to harmony, not discord.

16. 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:

- Controlling involves setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.
- Sample checking is a method of measuring actual performance when checking every unit is impractical.

Step 1: Identify the activity performed The manager checks "one out of every ten cartons of each size every day. This sample inspection supplies information about the actual quality of the ghee being produced and packed. It is therefore measurement of actual performance.

Step 2: Separate measurement from later stages Setting performance standards establishes the desired level of quality beforehand. Comparison would explicitly relate the measured quality to that standard. Analysing deviations would examine the reasons for any difference. The case describes inspection itself, without describing those later activities.

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

Quick Tip to Solve: Inspection, observation and sample checking indicate measurement; look for an explicit comparison before choosing the comparison stage.

17. 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 is a marketing function that determines product features, appearance and suitability for the target customers.
- An attractive design can improve a product's appeal and give the business a competitive advantage.

Step 1: Connect the product features to customer needs Fashion Jewels offers "workwear, light jewellery with modern designs for young working women. The case specifically says the good designs made the jewellery attractive and gave Prateek a competitive edge. These are decisions about the jewellery itself.

Step 2: Eliminate functions not described Packaging and labelling concern the container, wrapper and information attached to a product, rather than its design. Promotion communicates and persuades customers through tools such as advertising. Customer support service concerns assistance such as after-sales service and handling complaints. None of these is the function highlighted in the case.

Step 3: Conclusion The marketing function performed is product designing and development. Hence, the correct option is (D).

Quick Tip to Solve: When a case links a product's design, style or features to customer appeal, identify product designing and development.

18. 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 initiates implementation of plans by identifying jobs, grouping activities, assigning duties and establishing working relationships.
- It brings together human, physical and financial resources so that planned objectives can be achieved efficiently.

Step 1: Match the definition to the function The question emphasises "clarifying jobs and working relationships and "effectively deploying resources. These are the defining features of organising: people know what work to perform, who has authority and how their activities relate to those of others.

Step 2: Distinguish the remaining functions Planning decides objectives and the course of action before implementation. Staffing obtains, develops and retains suitable people for organisational positions. Controlling checks performance against standards and corrects deviations. The stated process instead creates the structure through which plans are implemented.

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

Quick Tip to Solve: Use the keywords jobs, duties, authority and working relationships to recognise organising in a definition.

19. 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:

- The level of a distribution channel is the number of intermediary stages between the producer and the final consumer.
- A conventional two-level channel for consumer goods uses a wholesaler followed by a retailer.

Step 1: Trace the movement of goods The manufacturer supplies goods in bulk to a wholesaler. The

wholesaler then supplies retailers, who sell smaller quantities to final consumers. Wholesaler and retailer are the two intermediary levels; the manufacturer and consumer are the endpoints.

Step 2: Check the order in every option Option (A) inserts an agent after the retailer, rather than using the conventional wholesaler-retailer sequence. Option (B) places the consumer before the retailer and wholesaler. Option (C) also places the customer before the retailer and does not give the required two-level route. Only option (D) places both intermediaries in the correct order.

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

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

20. _____ 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:

- Money market instruments represent short-term funds and include treasury bills, commercial paper and certificates of deposit.
- The Discount Finance House of India was established specifically to provide a ready market for money market instruments, supporting their liquidity.

Step 1: Identify the institution by its stated purpose The wording "providing a ready market for money market instruments identifies the Discount Finance House of India. A ready market enables holders to buy or sell such instruments more easily instead of having to retain them until maturity.

Step 2: Distinguish the other institutions SEBI regulates and develops the securities market and protects investors. The Reserve Bank of India is the central bank with monetary and regulatory responsibilities. The State Bank of India is a commercial bank. Although banks and the RBI participate in or influence financial markets, the specific institutional objective stated belongs to the Discount Finance House of India.

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

Quick Tip to Solve: Associate DFHI with liquidity and a ready market for short-term money market instruments; associate SEBI with securities-market regulation.

21. 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 is the managerial function of finding the right people for the right jobs. It includes obtaining, developing and retaining competent employees.
- Its importance extends beyond the higher performance that results from matching an employee's abilities to the requirements of a post.

Step 1: Identify the benefit already described Pawan Rai was "specialised in finance" but was appointed as Marketing Manager. The CEO's advice about "putting the right person at the right job" identifies the higher-performance benefit of staffing. Since the question asks for other benefits, this point should not be repeated as one of the three answers.

Step 2: State three other benefits of staffing

- **Discovering and obtaining competent personnel:** Staffing helps an organisation identify its personnel requirements, attract suitable candidates and select people with the knowledge and skills needed for different positions. It therefore makes competent employees available to the organisation.
- **Continuous survival and growth:** Staffing develops managers through training and development and provides for succession planning. Preparing employees to take over positions of greater responsibility ensures continuity when existing managers retire or leave and supports future expansion.
- **Optimum utilisation of human resources:** Staffing assesses the number and kind of employees required for each job. Proper manpower planning helps avoid overstaffing, which raises unnecessary personnel costs, as well as understaffing, which can overburden existing employees and disrupt work.

Step 3: Conclusion The CEO could explain that staffing helps obtain competent personnel, ensures continuous survival and growth through management development and succession planning, and promotes optimum utilisation of human resources.

Quick Tip to Solve: In a case asking for benefits "other than" those given, identify and exclude the stated benefit first; then use distinct NCERT headings for the remaining points.

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

Solution:

Concept:

- Controlling means ensuring that activities are performed according to plans. It compares actual performance with standards, identifies deviations and initiates corrective action where necessary.
- Control provides feedback on performance so that the organisation can achieve its objectives and improve the use of its resources.

Step 1: Relate control to planned performance A plan specifies what should be achieved, while control checks what has actually been achieved. Merely measuring results is insufficient: management must also identify significant differences, examine their causes and take suitable corrective action. This feedback explains why controlling is important throughout the organisation.

Step 2: Explain three points of importance

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings deviations to light. It enables managers to take corrective action so that activities remain on the intended course and planned results can be achieved.
- **Judging accuracy of standards:** An effective control system checks whether the standards set for performance are accurate and appropriate. By comparing results with standards and examining changes in the business environment, managers can review and revise standards when they are unrealistic or outdated.
- **Making efficient use of resources:** Control requires work to be performed according to predetermined standards. This reduces wastage and spoilage and encourages economical use of materials, money and employee effort. Resources are thus used more effectively in achieving planned output.

Step 3: Conclusion Controlling is important because it helps accomplish organisational goals, judge the accuracy of standards and make efficient use of resources through performance comparison and corrective action.

Quick Tip to Solve: For each importance point, state the NCERT heading and then explain how comparing actual results with standards produces that benefit.

OR

22(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 sets the standards of performance. Controlling compares actual performance with those standards and takes corrective action.
- Planning and controlling depend on each other: plans guide action, while feedback from control helps management improve subsequent plans.

Step 1: Explain why the functions are linked The expression "inseparable twins" means that planning and controlling complement one another in the management process. Planning gives a direction to activities; controlling ensures that activities follow that direction. Their relationship can be explained through the following three points.

Step 2: Present three points of relationship

- **Planning is a prerequisite for controlling:** Planning supplies the objectives and standards against which actual performance is measured. Without a predetermined target, a manager cannot decide whether performance is satisfactory or identify a deviation. Thus, controlling depends on planning for its basis of comparison.
- **Controlling makes planning meaningful:** A plan alone does not ensure its implementation. Controlling checks whether actual activities conform to the plan, detects deviations and initiates corrective action. Without such follow-up, plans may remain merely statements of intention rather than a guide to achieving results.
- **Both are forward-looking and backward-looking:** Planning looks ahead to future action but also uses past experience and control results. Controlling examines past performance by comparing it with standards, yet its corrective action aims to improve future performance. Feedback from control therefore becomes an input into the next planning cycle.

Step 3: Conclusion Planning provides standards for control, controlling ensures that plans are implemented, and control feedback improves future plans. Their reciprocal dependence makes them inseparable functions of management.

Quick Tip to Solve: Link the functions in a cycle: plans set standards, control checks results, and the resulting feedback improves the next plan.

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

(i) Participants

(ii) Investment outlay

(iii) Safety [3 marks]

Solution:

Concept:

- Financial Markets: the capital market provides medium- and long-term funds, while the money market deals in short-term funds with a maturity of up to one year.
- The two markets differ in their participants, the size of investment required and the risk borne by investors. Safety means the relative possibility of losing the funds invested.

Step 1: Set out the requested bases Compare the same feature in both markets. Participants identifies who supplies and obtains funds; investment outlay concerns the amount required to enter the market; safety concerns the relative risk of the instruments, rather than the rate of return.

Step 2: Compare the two markets

Basis	Capital market	Money market
Participants	Financial institutions, banks, corporate entities, foreign investors and ordinary retail investors participate.	The main participants are the RBI, banks, financial institutions and finance companies; participation is largely institutional.
Investment outlay	Securities can be bought in small units, so the investment outlay need not be large.	Instruments generally require a large investment outlay and are usually beyond the reach of small individual investors.
Safety	Instruments are relatively riskier because returns and repayment can be affected by longer-term business and market conditions.	Instruments are relatively safer because of their short duration and the financial strength of their issuers.

Step 3: Conclusion The capital market has broader participation, permits smaller investment units and carries relatively greater risk. The money market is mainly institutional, requires larger outlays and is relatively safer.

Quick Tip to Solve: Write a comparison table with the three bases in the question; match each capital-market feature directly with its money-market counterpart.

OR

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

Solution:

Concept:

- Financial Markets: the Securities and Exchange Board of India regulates the securities market to promote its orderly functioning and protect investors.
- SEBI's regulatory functions establish and enforce the rules under which market intermediaries and institutions operate. These are distinct from its developmental measures and investor-awareness activities.

Step 1: Identify the category of functions required The question asks for regulatory functions, so the answer should state SEBI's supervision, registration and rule-making responsibilities. These functions make market participants accountable and help ensure that securities-market activities follow prescribed standards.

Step 2: State three regulatory functions

- **Registration of intermediaries:** SEBI registers brokers, sub-brokers and other players in the securities market. Registration brings these intermediaries within the regulatory framework and enables their activities to be supervised.
- **Regulation of investment institutions:** SEBI registers and regulates the working of collective investment schemes, including mutual funds. This subjects the institutions that pool and invest investors' money to prescribed requirements.
- **Regulation of takeovers:** SEBI regulates the takeover of companies. It prescribes the rules

governing acquisitions and takeovers so that such transactions take place within the securities-market framework.

Step 3: Conclusion Three regulatory functions of SEBI are registration of market intermediaries, registration and regulation of collective investment schemes including mutual funds, and regulation of company takeovers.

Quick Tip to Solve: For SEBI's regulatory functions, recall registration, regulation and supervision; keep investor education under its developmental functions.

24. 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 has restricted entry based on prescribed qualifications, compulsory membership of a professional association and an enforceable ethical code.
- Management has a well-defined body of knowledge, but it does not fully satisfy all the features of a profession. An MBA and a senior position alone do not make management a full-fledged profession in this technical sense.

Step 1: Relate the case to professional status Naveen relies on having "completed his MBA from IIM, Bangalore" and working "as a senior manager getting a good package". These establish his training and employment, but the issue is whether entry into management as an occupation is governed by the compulsory conditions of a profession. Praveen's reasons concern those missing conditions, rather than the reputation of Naveen's institute or his salary.

Step 2: Explain the three limitations

- **Entry is not restricted:** A prescribed professional qualification is required to enter medicine. In management, no particular degree is legally compulsory for appointment as a manager. Naveen's MBA is useful training, but others may become managers without that qualification.
- **Association membership is not compulsory:** A profession requires membership of its recognised professional body. Management associations exist, such as the All India Management Association, but managers are not required to become members before practising management. Such associations do not control entry into the occupation.
- **No universally binding ethical code:** Professional bodies lay down enforceable codes of conduct for their members. Management associations have ethical codes, but membership is voluntary and their codes do not bind all managers. There is therefore no compulsory professional code

governing every practising manager.

Step 3: Conclusion Praveen could cite unrestricted entry, voluntary membership of management associations and the absence of a universally binding professional ethical code. Management is moving towards professionalisation, but is not yet a full-fledged profession on these criteria.

Quick Tip to Solve: When a case contrasts a doctor with an MBA manager, test compulsory qualifications, compulsory association membership and an enforceable ethical code.

25(a). Explain two sources of recruitment for various job positions which are more reliable as the candidates are already known to the organisation and they do not need induction training. [4 marks]

Solution:

Concept:

- Recruitment means searching for prospective employees and stimulating them to apply for jobs in an organisation. Internal recruitment fills vacancies from the employees already working in that organisation.
- The two principal internal sources are transfers and promotions. Existing employees are already known to management, so their suitability can be assessed from their actual performance and service record.

Step 1: Identify the source indicated by the clues The phrases "candidates are already known to the organisation" and "do not need induction training" point to **internal sources of recruitment**. These candidates are existing employees, already familiar with the organisation's rules, working environment and people. This makes their selection more reliable than selecting an entirely unfamiliar applicant. The two sources are explained below.

Step 2: Explain transfers **Transfers:** A transfer shifts an employee from one job, department or branch to another without a substantive change in status, responsibilities or remuneration. It is a horizontal movement, rather than a move up the organisational hierarchy. For example, an employee may be moved from one branch to another to fill a vacancy. Transfers help an organisation meet a shortage of staff in one unit by moving suitable employees from a unit with surplus staff. Since the person already works in the organisation, management knows the employee's capabilities and a fresh organisational induction is generally unnecessary.

Step 3: Explain promotions **Promotions:** A promotion shifts an employee to a higher position carrying greater responsibilities, higher status and usually better pay. It is a vertical movement up the organisational hierarchy; for example, a suitable supervisor may be promoted to a managerial post. Management can judge suitability from the employee's past performance. Promotions also motivate employees by offering career advancement and encouraging them to improve their work. The promoted employee already knows the organisation, although training for new duties may still be needed.

Step 4: Conclusion The two sources are **transfers and promotions**, both internal sources of recruitment. Transfers move employees horizontally, while promotions move them to higher positions. Both use known employees who are already familiar with the organisation.

Quick Tip to Solve: Use direction to distinguish the two: transfer means horizontal movement; promotion means upward movement with greater responsibility and status.

OR

25(b). 'It is a process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.' Identify the process and any three of its benefits to the organisation. [4 marks]

Solution:

Concept:

- Training is the process of increasing employees' aptitudes, skills and abilities to perform specific jobs. It develops the knowledge and practical competence needed for effective job performance.
- Training benefits an organisation by improving the way employees work, raising productivity and preparing people to take up responsibilities when required. It is a systematic learning process rather than learning entirely through mistakes at work.

Step 1: Identify the process The process is **training**. The decisive words are "aptitudes, skills and abilities" and "perform specific jobs". They describe improving an employee's competence for a particular job. Training is job-oriented: it teaches the required methods, procedures and skills so that employees can carry out their assigned work more effectively.

Step 2: Explain the first organisational benefit **Systematic learning avoids wastage:** Training provides an organised way of learning the correct methods of work. Employees need not depend only on trial and error. Consequently, fewer mistakes are made and less material, time, effort and money are wasted while employees learn their duties. This makes training preferable to leaving employees to discover proper procedures through repeated errors.

Step 3: Explain the second organisational benefit **Higher productivity and profits:** Trained employees acquire the knowledge and skills to do their jobs efficiently. They can perform work faster and more accurately and improve both the quantity and quality of output. Better performance and reduced waste improve organisational productivity, which in turn helps the organisation earn higher profits.

Step 4: Explain the third organisational benefit **Preparation of future managers:** Training equips employees with capabilities needed for greater responsibilities. Suitable employees can therefore take over when a manager or another senior employee is absent, retires or leaves the organisation. This creates a ready supply of capable personnel and helps maintain continuity of work instead of leaving a key position without a competent replacement.

Step 5: Conclusion The process is **training**. Three benefits to the organisation are systematic learning with less wastage, higher productivity and profits, and preparation of employees to take over future managerial responsibilities.

Quick Tip to Solve: When the question asks for organisational benefits, explain effects on waste, output and staffing continuity rather than listing only employees' personal gains.

26(a). Identify and state any three features of the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. [4 marks]

Solution:

Concept:

- Directing is the managerial process of instructing, guiding, counselling, motivating and leading people so that their efforts achieve organisational objectives.
- The features of directing describe how this managerial function operates: it initiates action, occurs at every management level and continues throughout the organisation's life.

Step 1: Identify the managerial process The process is **directing**. The words "instructing, guiding, counselling, motivating and leading people" describe how a manager influences employees to perform their assigned work. Planning decides what to do and organising establishes responsibilities; directing brings people into action to carry out these arrangements.

Step 2: State that directing initiates action **Directing initiates action:** Other managerial functions prepare the setting for work, but directing starts actual performance. Through instructions and guidance, the manager enables employees to understand their tasks and begin performing them. Thus, it converts plans and allocated responsibilities into purposeful activity aimed at achieving objectives.

Step 3: State that directing occurs at every management level **Directing takes place at every level of management:** Every manager, from the chief executive to the supervisor, directs subordinates. A senior manager guides departmental heads, while a supervisor instructs and guides workers. It is therefore a function performed wherever a superior–subordinate relationship exists, rather than being confined to top management.

Step 4: State that directing is continuous **Directing is a continuous process:** Managers guide, motivate and lead employees throughout the life of the organisation. Giving an instruction once does not complete the function: employees continue to need guidance and encouragement while performing their work and responding to changing situations. Directing consequently continues along with organisational activities.

Step 5: Conclusion The process is **directing**. Its three features are that it **initiates action**, **takes place at every level of management** and **is a continuous process**.

Quick Tip to Solve: Recognise directing from the verbs guide, instruct, motivate and lead; then state features of the process, rather than listing its importance or its elements.

OR

26(b). State four incentives which are in direct monetary form or measurable in monetary terms and serve to motivate people for better performance. [4 marks]

Solution:

Concept:

- Financial incentives are rewards in direct monetary form or benefits that can be measured in monetary terms. They motivate employees by satisfying their financial needs and rewarding their contribution.
- Pay and allowances, productivity-linked wage incentives, bonus and profit sharing are four forms of financial incentives used to encourage better performance.

Step 1: State pay and allowances **Pay and allowances:** Salary is the basic monetary incentive for an employee. The pay package includes basic pay, dearness allowance and other allowances. Regular increments and enhancement of allowances also provide monetary benefits. A suitable pay package helps motivate employees to work effectively because their services are rewarded through a dependable financial return.

Step 2: State productivity-linked wage incentives **Productivity-linked wage incentives:** These wage plans link employees' earnings to productivity. Employees can earn higher wages by achieving a higher level of output or performance under the incentive plan. The opportunity to increase earnings gives a direct financial reason to improve performance; these plans can be designed for individual employees or groups.

Step 3: State bonus **Bonus:** A bonus is an incentive paid over and above the normal wages or salary of employees. It is an additional financial reward, rather than a replacement for regular pay. Such an extra payment can encourage employees by recognising their contribution and giving them a tangible monetary benefit in addition to their ordinary remuneration.

Step 4: State profit sharing **Profit sharing:** Under this arrangement, employees receive a share in the profits of the organisation. It links a part of their financial reward to the organisation's success. Employees are encouraged to improve their contribution and work for higher profits because an increase in organisational profits can also increase the financial benefit available to them.

Step 5: Conclusion Four financial incentives are **pay and allowances**, **productivity-linked wage incentives**, **bonus** and **profit sharing**. Each provides a monetary benefit that can motivate employees towards better performance.

Quick Tip to Solve: When the question mentions rewards measurable in money, select financial incentives such as bonus and profit sharing; recognition and job enrichment are non-financial incentives.

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:

- Directing: effective communication means that the receiver understands a message in the same sense in which the sender intends it. Merely sending information does not ensure understanding.
- The case identifies barriers creating an "environment of distrust and misunderstanding". Galaxy Enterprises should therefore improve both the preparation of messages and the opportunity for employees to clarify their meaning.

Step 1: Clarify ideas before communicating **Clarify the ideas before communication:** The manager should first be clear about the purpose of the message and the information to be conveyed. Analyse the subject and arrange the ideas logically before speaking or writing. This avoids vague or contradictory instructions that different employees may interpret differently.

Step 2: Match the message to the receiver **Communicate according to the needs of the receiver:** Assess the receiver's education, understanding and experience, and adjust the language and explanation accordingly. Use words employees understand rather than unfamiliar technical expressions. A message that is clear to the manager must also be intelligible to the person who has to act on it.

Step 3: Consult others before communicating **Consult others before communicating:** Involve the concerned people while planning the message or instructions. Their suggestions help the manager identify omissions and practical difficulties. Participation also encourages employees to accept the communication, helping reduce the distrust described in the case.

Step 4: Obtain feedback on understanding **Ensure proper feedback:** Encourage employees to respond, ask questions and explain how they have understood the message. Managers should examine these responses and remove any misunderstanding promptly. Such two-way communication checks whether the intended meaning has actually reached the receiver.

Step 5: Conclusion Galaxy Enterprises can improve communication through clear ideas, messages suited to receivers, consultation before communication and proper feedback. Together, these measures reduce misunderstanding and encourage mutual confidence.

Quick Tip to Solve: For an effectiveness question, name each measure and explain how it helps the receiver understand or respond; do not merely list communication barriers.

28. Identify and state any three factors affecting the decision which involves determining the relative proportion of the use of different sources in raising funds. [4 marks]

Solution:

Concept:

- Financial Management: a financing decision determines how much finance should be raised from different sources, such as shareholders' funds and borrowed funds.

- The relative proportion of debt and equity constitutes the capital structure. Managers assess the cost and risk of the available sources before choosing this financing mix.

Step 1: Identify the financial decision The decision described is the **financing decision**. The clue is "determining the relative proportion of the use of different sources in raising funds". It concerns where the money will come from and in what proportions, rather than which assets should be purchased or how much profit should be distributed.

Step 2: Examine the cost of finance **Cost:** Different sources of finance have different costs. The finance manager should compare these costs and prefer a source that is cheaper, subject to the firm's other requirements. For example, the interest payable on borrowed funds is a financing cost. Considering cost helps the firm avoid an unnecessarily expensive mix of funds and supports the objective of maximising shareholders' wealth.

Step 3: Assess the risk attached to each source **Risk:** The risk associated with different sources is different. Debt involves a contractual obligation to pay interest and repay principal, even when business earnings are low. It is therefore riskier for the borrowing firm than equity, on which dividends are not compulsory. A firm must consider its ability to meet these commitments before increasing the debt proportion.

Step 4: Compare the flotation costs **Flotation costs:** Raising funds may involve expenses such as brokerage, underwriting commission and issue-related fees. Higher flotation costs make a source less attractive. The finance manager should consider these initial expenses as well as the continuing cost of funds when deciding which sources to use.

Step 5: Conclusion The decision is the financing decision. Three factors affecting it are the cost of finance, the risk associated with each source and flotation costs; these influence the choice and relative proportion of funds raised.

Quick Tip to Solve: "Raising funds" identifies financing; "using funds to buy assets" identifies investment. After identifying financing, state three distinct factors with their effect on the choice.

29. '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:

- The right to be heard gives a consumer an opportunity to express dissatisfaction and have the complaint considered by the business or an appropriate forum.
- The right to consumer education gives consumers the knowledge and skills needed to make informed choices and use the protection available to them.

Step 1: Explain the right to be heard **Right to be heard:** A consumer has the right to file a complaint and to be heard when dissatisfied with a product or service. Business firms should provide suitable channels through which consumers can communicate their grievances and suggestions, and those concerns should receive due consideration.

MVT Ltd. promotes this right through its own consumer service and grievance redressal centre. The case states that the centre is established "to address consumer concerns" and that its mobile number is printed on product labels "to get feedback or complaints". These arrangements give customers an accessible way to communicate with the company after purchase.

Step 2: Explain the right to consumer education **Right to consumer education:** A consumer has the right to acquire knowledge and remain well informed about consumer rights, responsibilities and the remedies available against exploitation. Awareness enables consumers to recognise a violation, make appropriate choices and take action rather than accept an unsatisfactory product or service silently.

The company promotes this right by running programmes "to educate the consumers about their rights and reliefs available to them". Such programmes explain what protection a consumer can claim when goods or services do not meet the expected standard, and help consumers use the available complaint and redressal mechanisms effectively.

Step 3: Conclusion The two rights promoted are the **right to be heard**, through the accessible feedback and complaint cell, and the **right to consumer education**, through programmes explaining consumer rights and available reliefs.

Quick Tip to Solve: Match an accessible complaint channel with the right to be heard, and awareness programmes with the right to consumer education.

30. 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 means preparing a financial blueprint for an organisation's future operations. It estimates financial requirements and decides how the necessary funds will be made available.
- Financial planning seeks to ensure the availability of funds when needed and to avoid raising funds unnecessarily. It connects future business activities with their financial requirements.

Step 1: Identify the financial management concept The concept is **financial planning**. The decisive expression is "preparing the financial blueprint for her organisation's future operations". Kaveri is considering the organisation's future financial needs and the arrangements required to support its activities. The reference to an uncertain environment describes a difficulty in forecasting; it does not change the concept being discussed.

Reduction of waste and duplication of effort is already stated in the case. The following are three additional points of importance.

Step 2: State three additional points of importance **1. Forecasts financial needs in different situations:** Financial planning considers what may happen under alternative business conditions. By estimating the funds required in each situation, management can prepare suitable financial arrangements and respond more effectively when those conditions arise.

2. Helps avoid business shocks and surprises: Planning in advance draws attention to likely shortages of funds and other financial difficulties. The organisation can arrange finance or take other corrective steps before the difficulty becomes urgent. This preparation reduces the disruptive effect of unexpected financial demands on business operations.

3. Helps coordinate different business functions: Financial planning provides clear financial policies and procedures for different departments. Production, purchasing, marketing and other functions can plan their activities within a common financial framework, so their requirements are reconciled with the organisation's available resources and overall objectives.

Step 3: Conclusion Kaveri is undertaking **financial planning**. In addition to reducing waste and duplication, it forecasts financial needs under different conditions, helps avoid business shocks and surprises, and coordinates the organisation's different business functions.

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

31(a). What is meant by 'Informal Organisation' ? State any two advantages and two disadvantages of Informal Organisation. [6 marks]

Solution:

Concept:

- Informal organisation is the network of social relationships that arises spontaneously from interaction among employees within the formal organisation.
- Unlike formally assigned jobs and authority, these relationships arise from personal contact, friendship and common interests. They satisfy social needs but can also obstruct organisational objectives.

Step 1: Explain the meaning of informal organisation **Meaning:** Informal organisation refers to the network of personal and social relationships that develops spontaneously when people interact at work. Management does not deliberately create this network through an organisation chart. Employees may become friends because they share interests, work near one another or help one another. Its standards of behaviour develop within the group, rather than through officially prescribed rules. It exists alongside the formal organisation and cuts across its established reporting relationships.

Step 2: State the first advantage – faster communication **Faster communication:** Information moves quickly through informal channels because it does not have to follow the prescribed chain of command. Employees can communicate directly through their personal contacts. This also gives management faster feedback about employees' reactions and feelings, enabling it to understand workplace concerns

promptly.

Step 3: State the second advantage – fulfilment of social needs **Fulfilment of social needs:** Friendship and interaction give employees a sense of belonging, recognition and mutual support. Members can share their difficulties and feel accepted by the group. This satisfies social needs that the official work relationships alone may not meet, and can increase job satisfaction.

Step 4: State the first disadvantage – spread of rumours **Spread of rumours:** Informal communication can carry unverified or distorted information. Rumours may spread rapidly because there is no officially controlled procedure for checking them. False information can create misunderstanding and anxiety, disrupt work and harm the interests of the organisation.

Step 5: State the second disadvantage – resistance to change **Resistance to change:** An informal group may oppose changes introduced by management when its members believe that the changes threaten their established relationships or interests. Members may collectively resist new procedures even when these benefit the organisation. Such opposition can delay implementation and prevent the intended improvement in performance.

Step 6: Conclusion Informal organisation is a spontaneously formed network of social relationships. Its advantages include faster communication and satisfaction of social needs; its disadvantages include the spread of rumours and resistance to change.

Quick Tip to Solve: Begin with the spontaneous social network, then give two clearly labelled benefits and two clearly labelled limitations, explaining the effect of each.

OR

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

Solution:

Concept:

- A functional structure groups jobs of a similar nature into departments based on major functions, such as production, marketing, finance and personnel.
- Functional specialisation brings people with similar skills together under a functional manager. Its benefits arise from concentrating expertise, coordinating related work and avoiding duplication.

Step 1: Explain the meaning of functional structure **Meaning:** A functional structure is an organisational structure in which activities of a similar nature are grouped together into functional departments. For example, all production activities are assigned to the production department and all marketing activities to the marketing department. Each department specialises in its own function and is headed by a person responsible for that function. Thus, the basis for grouping jobs is the function performed, rather than the product made or the territory served.

Step 2: Explain occupational specialisation **Occupational specialisation:** Employees repeatedly perform a limited range of related activities within their functional department. Their experience and expertise in that field increase. A finance specialist, for instance, concentrates on financial work

instead of being required to perform unrelated production tasks. This division of work promotes specialisation and improves the quality of performance.

Step 3: Explain better control and coordination **Better control and coordination within a department:** Similar tasks are placed together under one functional head. The head can guide employees, allocate related work and monitor performance using an understanding of the function. Because members carry out closely related activities, coordinating their efforts and controlling departmental work becomes easier. This advantage concerns coordination within the function.

Step 4: Explain improved managerial and operational efficiency **Improved efficiency:** Specialised managers supervise work in their own area of expertise, while employees develop competence in their assigned tasks. Better guidance and focused effort improve both managerial and operational efficiency. The organisation consequently performs its activities more effectively instead of expecting every employee or manager to handle every kind of work.

Step 5: Explain reduced duplication and economies of scale **Reduced duplication and economies of scale:** Grouping similar activities in one department prevents the unnecessary repetition of the same activity in several separate units. Personnel, equipment and other resources can be used jointly within the function. This avoids wasteful duplication of effort, makes more economical use of resources and can reduce the cost of operations through economies of scale.

Step 6: Conclusion Functional structure groups similar activities into specialised departments. Four advantages are occupational specialisation, better departmental control and coordination, higher managerial and operational efficiency, and reduced duplication with economies of scale.

Quick Tip to Solve: Use the function as the grouping basis. For each advantage, connect it to similar activities being concentrated in one specialised department.

32(a). 'The activities that communicate availability, features, merits, etc. of the products and services to the target customers and persuade them to buy these products and services' is an important element of marketing mix. Explain any three tools of communication used by the marketers for this purpose. [6 marks]

Solution:

Concept:

- Promotion is the element of the marketing mix concerned with communicating the availability, features and merits of a product to target customers and persuading them to buy it.
- The promotion mix is the combination of communication tools used by a firm. Its tools include advertising, personal selling, sales promotion and public relations; any three may be explained here.

Step 1: Identify the communication purpose The description refers to promotion: the words 'communicate availability, features, merits' show the informative role, while 'persuade them to buy' shows the persuasive role. Marketers can perform these roles through the following three tools.

Step 2: Explain advertising **Advertising:** Advertising is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The firm pays for the message

and is identifiable as its source. It communicates through mass media such as television, newspapers and online media rather than through a direct conversation with each buyer. It can reach a large, geographically dispersed audience and repeat a consistent message about the product's benefits. For example, a television advertisement can inform many potential customers about a new detergent and persuade them to try it. However, immediate personal feedback is limited because the communication is largely impersonal.

Step 3: Explain personal selling **Personal selling:** Personal selling involves an oral presentation of a message through a conversation with one or more prospective buyers for the purpose of making sales. It involves personal interaction between the salesperson and the buyer. The salesperson can explain the product, demonstrate its use, answer objections and adapt the presentation to the customer's needs. Immediate feedback helps the seller judge whether the explanation is understood. For example, a salesperson demonstrating a washing machine can answer a buyer's questions about capacity and operation. It also helps build lasting customer relationships, although its reach is smaller than mass advertising.

Step 4: Explain sales promotion **Sales promotion:** Sales promotion consists of short-term incentives designed to encourage the purchase of a product or service. Such incentives supplement advertising and personal selling by giving customers an additional, immediate reason to buy. Examples include discounts, free samples, coupons and quantity offers. A free sample can induce trial of a new product, while a limited-period discount can stimulate quicker purchases. These incentives attract attention and can produce a prompt sales response, but they are temporary offers rather than the regular personal explanation provided by a salesperson.

Step 5: Conclusion The marketing-mix element is promotion. Advertising communicates through paid, non-personal messages; personal selling uses direct interaction and feedback; and sales promotion offers short-term purchase incentives. These are three communication tools marketers use to inform and persuade target customers.

Quick Tip to Solve: For each promotion tool, state its meaning and its distinctive feature: paid mass message, personal conversation, or short-term incentive. Add an example to make the distinction clear.

OR

32(b). It refers to a set of marketing tools that a firm uses to pursue its marketing objectives in a target market.

(i) Identify and state the concept.

(ii) Explain three elements of the concept identified in (i) above. [6 marks]

Solution:

Concept:

- Marketing mix means the set of marketing tools that a firm uses to pursue its marketing objectives in a target market. The firm combines these tools to satisfy customer needs and achieve its objectives.
- Its four elements, commonly called the four Ps, are product, price, place and promotion. The

following answer explains product, price and place as the three requested elements.

Step 1: Identify and state the concept **(i) Marketing mix:** The description refers to the marketing mix. It is the set of marketing tools that a firm uses to pursue its marketing objectives in a target market. The phrase 'set of marketing tools' indicates an integrated combination of decisions, rather than a single activity such as advertising or selling. A firm selects an appropriate combination of the four Ps to offer value to its chosen customers.

Step 2: Explain the product element **(ii) Product:** Product means the goods or services, or anything of value, offered to the market for exchange. It includes the benefits or utility that customers obtain from using the offering. Product decisions therefore concern what the firm will offer and how it will meet customer needs. They include quality, design, features, variety, branding, packaging and labelling. Supporting services, such as after-sales service, guarantees and complaint handling, are also important. For example, for a refrigerator, the firm must decide its capacity and features as well as the brand, warranty and service support. These decisions help make the product useful and distinguish it from competing offerings.

Step 3: Explain the price element **Price:** Price is the amount of money customers have to pay to obtain a product. Pricing decisions determine the price at which the firm will sell and the terms associated with it. In fixing a price, the marketer considers matters such as product cost, customer demand and utility, competition and the firm's pricing objectives. Decisions also cover discounts, allowances, credit and payment terms. For example, a firm may offer an appropriate cash discount or instalment facility while deciding its overall pricing policy. The price must be acceptable to the target customers while supporting the firm's objectives; it cannot be decided independently of the value offered by the product.

Step 4: Explain the place element **Place or physical distribution:** This element concerns making the product available to target customers at the right place and time. The firm decides the channels of distribution, such as selling directly or using wholesalers and retailers, and selects suitable intermediaries. It must also arrange the physical movement and availability of goods through order processing, transportation, warehousing and inventory management. For example, a manufacturer may supply retail outlets through distributors and maintain sufficient stocks to prevent shortages. An effective place decision ensures that customers can actually obtain the product conveniently when they want it.

Step 5: Conclusion The identified concept is the marketing mix. Product determines the offering and its benefits, price determines what customers pay and on what terms, and place makes the offering conveniently available. These three elements operate along with promotion to achieve the firm's marketing objectives in its target market.

Quick Tip to Solve: Distinguish the four Ps by asking: what is offered, what does it cost, where is it available, and how is it communicated? Identify the mix first, then explain any three Ps separately.

33. '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:

- Planning involves deciding in advance what is to be done and how it is to be done. Different types of plans specify the desired result, the broad course of action and the guidelines for decisions.
- An objective states an end to be achieved, a strategy is a comprehensive plan framed in relation to the business environment, and a policy guides managerial thinking and decision-making.

Step 1: Identify and explain the objective **Objective:** The decision "to achieve a turnover of ₹45 lakh for the next year" specifies the result Diamond Logistics Company wishes to achieve. An objective is the desired future position or end towards which organisational activities are directed. It answers what the organisation wants to accomplish and provides a focus for the efforts of different departments. Here, the turnover target, together with the period for achieving it, gives managers a definite basis for planning and later comparing actual performance. The previous turnover of ₹25 lakh is the background; the new turnover target is the objective.

Step 2: Identify and explain the strategy **Strategy:** The words "after taking into consideration the business environment, a comprehensive plan was drawn" indicate a strategy. A strategy is a comprehensive plan for accomplishing organisational objectives. It takes account of the business environment and provides a broad framework for the organisation's business. Strategy involves determining long-term objectives, adopting a course of action and allocating the resources necessary to achieve them. For Diamond Logistics Company, it provides the broad approach through which the turnover objective is to be accomplished in the conditions facing the business; the case does not specify the particular actions chosen.

Step 3: Identify and explain the policy **Policy:** The CEO's plan that would "guide the thinking of the managers and their decision-making" is a policy. Policies are general statements or understandings which guide thinking and channelise energies towards a particular direction. They provide a framework within which managers exercise judgement, promoting consistency in decisions while allowing discretion within the stated boundaries. Here, the policy directs managerial choices and efforts towards achieving the turnover target. It is broader than a rule, which specifies exactly what must or must not be done without allowing such discretion.

Step 4: Conclusion The three plans are **objective** (the next year's turnover target of ₹45 lakh), **strategy** (the comprehensive plan framed after considering the business environment), and **policy** (the guideline for managerial thinking and decisions).

Quick Tip to Solve: Match the case clues in sequence: a specified result indicates an objective, an environment-based comprehensive course indicates strategy, and guidance for thinking indicates policy.

34. 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:

- Henri Fayol's principles of management provide general guidelines for managing people and activities. A case answer must connect the behaviour described with the relevant principle.
- Discipline concerns obedience to rules and agreements; unity of command requires an employee to receive orders from one superior; esprit de corps promotes team spirit and unity.

Step 1: Identify and explain discipline **Discipline:** The agreement specifies the "reporting time for players on the field and other rules and regulations", and disobedience would lead to "judicious application of penalties". These details identify discipline. Discipline means obedience to organisational rules and the employment agreement necessary for the working of the organisation. It requires good superiors at all levels, clear and fair agreements, and judicious application of penalties. Both superiors and subordinates must honour their commitments. In this case, the clear agreement tells players what is expected of them, while fair enforcement encourages orderly conduct during training. Discipline therefore supports effective functioning; it does not mean applying penalties arbitrarily.

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 Fayol, each individual employee should receive orders from, and be accountable to, only one superior. This avoids conflicting instructions, confusion about tasks and divided accountability. The college applies this principle by giving the coach a clear position as the players' immediate superior. Although the Principal announces the arrangement, the players' operational orders and accountability are channelled through the coach. The clue concerns one superior for each player, rather than merely one plan for the whole team.

Step 3: Identify and explain esprit de corps **Esprit de corps:** The coach promotes "the spirit of mutual trust and belongingness among the team members". Esprit de corps means that management should promote team spirit, unity and harmony among employees. A manager should encourage cooperation and a sense of belonging so that people work together towards a common purpose rather than concentrating only on individual interests. Fayol emphasised replacing "I" with "we" in dealings with workers, which encourages mutual trust and confidence. In the cricket team, the coach seeks this unity because coordinated effort and enthusiasm are necessary for winning the competition.

Step 4: Conclusion The principles are **discipline**, shown by the rules, agreement and judicious penalties; **unity of command**, shown by orders and accountability only to the coach; and **esprit de**

corps, shown by mutual trust, belongingness and team spirit.

Quick Tip to Solve: Look for the distinguishing words: rules and fair penalties suggest discipline, one boss suggests unity of command, and mutual trust and "we" suggest esprit de corps.