CBSE Class 12 Business Studies Question Paper 2023 with Solution PDF-Set 66/4/1

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.

1. The next step in the process of selection after 'Job offer' is : [1 mark]

(A) Medical examination

(B) Selection decision

(C) Employment interview

(D) Contract of employment

Correct Answer: (D) Contract of employment

Solution:

Concept:

- Selection identifies the applicant best suited to a job through a sequence of screening, testing, interviews and checks.
- A job offer communicates selection; the contract of employment records the agreed terms formally.

Step 1: Recall the final selection stages The selection decision is followed by a medical examination where required, then the job offer. Once the candidate accepts the offer, the employer and employee complete the contract of employment. This records matters such as job title, duties, remuneration and employment conditions.

Step 2: Eliminate the earlier stages Medical examination, selection decision and employment interview all precede the job offer in the NCERT selection sequence. They therefore cannot be the next step asked here. Contract of employment follows the offer and its acceptance.

Step 3: Conclusion The next step after job offer is contract of employment. Hence, the correct option is (D).

Quick Tip to Solve: Remember the final sequence: selection decision, medical examination, job offer, then contract of employment.

2. In planning, generally managers have to follow pre-determined plans and they are not in a position to change it. This statement highlights the following limitation of planning : [1 mark]

(A) Planning may not work in a dynamic environment

(B) Planning does not guarantee success

(C) Planning leads to rigidity

(D) Planning is time-consuming

Correct Answer: (C) Planning leads to rigidity

Solution:

Concept:

- Planning establishes a course of action in advance and guides subsequent managerial decisions.
- Planning leads to rigidity when predetermined plans restrict the discretion to change action according to circumstances.

Step 1: Identify the stated restriction The words 'have to follow pre-determined plans' and 'not in a position to change it' show that managers are tied to an already chosen course of action. This lack of

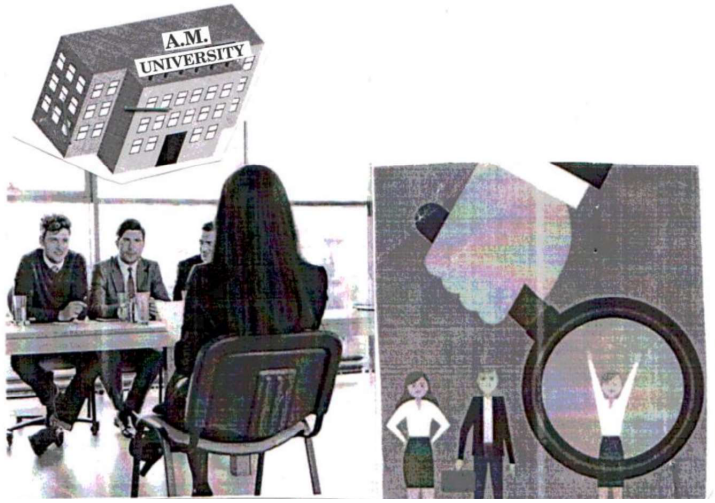
flexibility is the limitation called rigidity.

Step 2: Distinguish the alternatives A dynamic environment concerns unexpected external changes, whereas this statement stresses inflexibility in following plans. Failure to guarantee success concerns uncertain outcomes; being time-consuming concerns the time needed to formulate plans. Neither describes the restriction stated here.

Step 3: Conclusion The limitation highlighted is that planning leads to rigidity. Hence, the correct option is (C).

Quick Tip to Solve: When a question stresses inability to change a predetermined plan, identify rigidity rather than uncertainty or time cost.

3. Identify the external source of recruitment illustrated by the picture given below : [1 mark]



(A) Recommendation of Employees

(B) Labour Contractors

(C) Campus Recruitment

(D) Employment Exchange

Correct Answer: (C) Campus Recruitment

Solution:

Concept:

- Recruitment attracts potential candidates to apply for jobs; external recruitment draws applicants from outside the organisation.
- Campus recruitment involves employers approaching educational institutions to select suitable students.

Step 1: Read the visual clue The picture shows a university building and a candidate facing an interview panel. Together these indicate recruitment through an educational institution, where employers meet students and assess them for employment. This is campus recruitment.

Step 2: Rule out other sources Recommendation of employees depends on existing workers suggesting candidates. Labour contractors supply workers through intermediaries. Employment exchanges register job seekers and connect them with employers. None of these is represented by the university and interview setting in the picture.

Step 3: Conclusion The external source illustrated is campus recruitment. Hence, the correct option is (C).

Quick Tip to Solve: A college or university linked with an employer interview is the key visual clue for campus recruitment.

4. Resident Welfare Association (RWA) of Noida, Sector 15 decided to organise Diwali mela on the eve of Diwali. They listed all the activities to be done, grouped them as per their nature and assigned the activities/duties to different people of their association. After completion of the mela they found that it was not a success. While analysing the reasons the President of RWA found that mere allocation of work was not enough in the organisation. He found that an important step in the organising process was missing. Identify the step from the following : [1 mark]

(A) Assignment of duties

(B) Establishing authority and reporting relationships

(C) Identification and division of work

(D) Departmentalisation

Correct Answer: (B) Establishing authority and reporting relationships

Solution:

Concept:

- Organising proceeds through identification and division of work, departmentalisation, assignment of duties and establishment of authority and reporting relationships.
- Authority and reporting relationships clarify who can issue instructions, who reports to whom and how activities are coordinated.

Step 1: Match completed actions to steps The RWA 'listed all the activities', which identifies and divides work. It 'grouped them as per their nature', which is departmentalisation, and 'assigned the activities/duties', which is assignment of duties. Those three steps were already performed.

Step 2: Identify the omitted relationship The case says that mere allocation of work was not enough. People also needed to know their authority, responsibility and reporting channels. Establishing authority and reporting relationships is therefore the missing step. Options concerning identification, departmentalisation and assignment repeat actions already completed.

Step 3: Conclusion The missing step is establishing authority and reporting relationships. Hence, the correct option is (B).

Quick Tip to Solve: In an organising case, cross out steps already described; allocation of work must be followed by clarity about authority and reporting.

5. Management helps in providing good quality products and services, creating employment opportunities, adopting new technology for the greater good of the people and leads the path towards growth and development.

This highlights the following point of importance of management : [1 mark]

(A) Management helps in achieving group goals.

(B) Management creates a dynamic organisation.

(C) Management helps in the development of society.

(D) Management helps in achieving personal objectives.

Correct Answer: (C) Management helps in the development of society.

Solution:

Concept:

- Management coordinates resources to achieve objectives efficiently and effectively.
- Its contribution to society includes good-quality goods and services, employment, useful technology and economic development.

Step 1: Identify the beneficiary The statement emphasises 'the greater good of the people' and 'growth and development'. Good products, employment opportunities and beneficial technology improve social welfare, so the focus extends beyond a particular organisation or employee.

Step 2: Compare the other points Achieving group goals concerns common organisational targets. Creating a dynamic organisation concerns adapting people and operations to change. Achieving personal objectives concerns the needs of individual employees. The listed benefits instead concern society as a whole and therefore show management helping in its development.

Step 3: Conclusion Management helps in the development of society. Hence, the correct option is (C).

Quick Tip to Solve: If the benefits include employment, better products and public welfare, look for development of society.

6. Hitesh and Reena are entrepreneurs. They noticed that every year in the months of November and December, Delhi, the capital city of India, witnesses poor air quality and rise in pollution levels. They also observed that nowadays people are more concerned about quality of life. Sensing the need, they were the first to bring into the market a new 'Anti-Pollution W-98 Mask' which was not only helpful in combating the pollution but also in increasing the life expectancy of people. Their venture saw a massive success as there was no competitor.

From the following, identify the importance of Business Environment highlighted above : [1 mark]

(A) Business Environment helps the firm to identify threats and early warning signals.

(B) Business Environment helps in tapping useful resources.

(C) Business Environment helps in improving performance.

(D) Business Environment enables the firm to identify the opportunities and in getting the first mover advantage.

Correct Answer: (D) Business Environment enables the firm to identify the opportunities and in getting the first mover advantage.

Solution:

Concept:

- Business environment analysis reveals opportunities and threats arising outside a business.
- Identifying an opportunity before rivals allows a business to act early and obtain a first mover advantage.

Step 1: Link the case to the opportunity The entrepreneurs noticed poor air quality and that people were 'more concerned about quality of life'. This revealed an unmet demand for protective masks. They were 'the first to bring into the market' their mask, so they exploited the opportunity before competitors.

Step 2: Separate the competing explanations The words 'there was no competitor' establish the first mover advantage. Identifying threats concerns warning against adverse developments, while tapping resources concerns obtaining inputs. Improved performance is a broader benefit, but the distinctive emphasis here is early identification and exploitation of a market opportunity.

Step 3: Conclusion Business environment enables the firm to identify opportunities and get the first mover advantage. Hence, the correct option is (D).

Quick Tip to Solve: Look for both an unmet need and early entry before rivals to recognise opportunity identification with first mover advantage.

7. Neeraj is the Director of 'Tulip Public School' having 2000 students. There are two Headmasters — one for Senior classes and another for Junior classes. 50 teachers are under the supervision of the Senior Headmaster and 60 teachers under the supervision of the Junior Headmaster. No teacher working under the supervision of the Senior Headmaster is happy and satisfied, which is affecting the result of the Senior classes. On the other hand the teachers working under the supervision of the Junior Headmaster are performing their duties willingly and achieving their objectives. All the teachers are happy and satisfied. The Director, Neeraj can feel how nicely the Junior Headmaster was managing his classes.

The characteristic of management discussed above is : [1 mark]

(A) Management is a goal-oriented process

(B) Management is a dynamic function

(C) Management is an intangible force

(D) Management is a continuous process

Correct Answer: (C) Management is an intangible force

Solution:

Concept:

- Management is an intangible force: it cannot be seen directly, but its presence can be felt through results.
- Orderliness, willing cooperation, achievement of objectives and employee satisfaction indicate effective management.

Step 1: Interpret what the director feels The junior teachers perform 'their duties willingly' and are 'happy and satisfied'. Neeraj can 'feel how nicely' the Junior Headmaster manages the classes. He observes the effects of management rather than a physical object called management.

Step 2: Distinguish the other characteristics Goal orientation means directing effort towards targets, but the case particularly stresses how management is felt through satisfaction and results. A dynamic function refers to adapting to change; a continuous process refers to ongoing interrelated activities. Neither is the central contrast between the two headmasters.

Step 3: Conclusion The characteristic illustrated is that management is an intangible force. Hence, the correct option is (C).

Quick Tip to Solve: Words such as feel, satisfaction and visible results often indicate management as an intangible force.

8. Plastic utensils are often used as a low cost, convenient option for business or personal use. These utensils are lightweight, easy to transport and can be disposed off easily instead of cleaned and reused. But plastic utensils are harmful from health point of view and create various environmental issues. Nowadays health and fitness trend is becoming popular. People are looking for different alternatives and have started opting for paper-made, steel or glass utensils which has tremendously increased the demand of these products.

The above para discusses an important dimension of Business Environment which is : [1 mark]

(A) Economic Environment

(B) Social Environment

(C) Technological Environment

(D) Political Environment

Correct Answer: (B) Social Environment

Solution:

Concept:

- Social environment includes social attitudes, values, customs, lifestyles and trends that influence business demand.
- A change in consumer concern for health or environmental protection can create opportunities for alternative products.

Step 1: Identify the change in consumer preferences The case states that the "health and fitness trend is becoming popular" and people have "started opting for paper-made, steel or glass utensils". These words show a change in lifestyle, awareness and preferences. The increased demand follows this social change.

Step 2: Eliminate the other dimensions Economic environment concerns income, interest rates and similar economic conditions; none is the cause described here. Technological environment concerns new techniques or innovations, whereas no new production technology is mentioned. Political environment concerns political conditions and government attitudes, which are also absent from the case.

Step 3: Conclusion The dimension is Social Environment. Hence, the correct option is (B).

Quick Tip to Solve: When a case links demand to health awareness, lifestyles or preferences, look for the social environment.

9. Which of the following function of management measures the progress of objectives and guides the organisation to keep it on the right track so that organisational goals might be achieved ? [1 mark]

(A) Planning

(B) Staffing

(C) Directing

(D) Controlling

Correct Answer: (D) Controlling

Solution:

Concept:

- Controlling compares actual performance with standards and takes corrective action wherever necessary.
- It checks progress towards organisational objectives so that activities remain consistent with the plans.

Step 1: Identify the function from the task described The question says that the function measures the progress of objectives and keeps the organisation on the right track. Measurement of progress and correction of deviations are the distinguishing features of controlling. They allow managers to see whether planned goals are being attained.

Step 2: Distinguish the other management functions Planning determines objectives and the course of action in advance. Staffing obtains and develops suitable employees. Directing guides, motivates and leads people while they work. These functions support goal achievement, but the specific task of measuring progress against objectives belongs to controlling.

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

Quick Tip to Solve: Use the clue words: setting objectives suggests planning; checking progress and correcting deviations suggests controlling.

10. 'AN Stationery Ltd.' is manufacturing various items of stationery like pencils, erasers, gel-pens, ball-pens, etc. The Production Manager, Ghanshyam is very particular about the efficiency of production, which he measures by counting the number of pieces produced and number of defective pieces in a batch. By doing this he is performing an important function of management which is : [1 mark]

(A) Directing

(B) Controlling

(C) Organising

(D) Planning

Correct Answer: (B) Controlling

Solution:

Concept:

- Controlling involves measuring actual performance, comparing it with standards and correcting deviations.
- Production efficiency and the number of defective units can be used as measurable indicators of performance.

Step 1: Connect the case evidence to controlling Ghanshyam measures efficiency by "counting the number of pieces produced and number of defective pieces in a batch". These are actual performance measurements. Counting output and defects enables the manager to judge production performance and detect departures from the desired level.

Step 2: Rule out the other functions Directing would involve instructions, leadership, motivation or communication to employees. Organising would allocate work, establish reporting relationships and arrange resources. Planning would decide targets and methods in advance. The action described is monitoring actual production, which is part of controlling.

Step 3: Conclusion Ghanshyam is performing Controlling. Hence, the correct option is (B).

Quick Tip to Solve: In production cases, counting output or defects to check efficiency points to performance measurement under controlling.

11. The method of training in which actual work environment is created in a classroom and employees use the same materials, files and equipment that are required to be used by them in their day-to-day working is : [1 mark]

(A) Vestibule Training

(B) Internship Training

(C) Induction Training

(D) Apprenticeship Training

Correct Answer: (A) Vestibule Training

Solution:

Concept:

- Vestibule training recreates the actual work environment away from the workplace, using the same equipment and materials.
- It is an off-the-job method that lets employees learn without disrupting regular production.

Step 1: Identify the simulated workplace method The decisive clue is that the actual work environment is created in a classroom, with the same materials, files and equipment used in daily work. This is vestibule training: the workplace is simulated so that employees can practise relevant skills under training conditions.

Step 2: Distinguish the alternatives Internship training combines educational study with practical work experience, usually through cooperation between an institution and a business. Induction introduces a new employee to the organisation, colleagues and rules. Apprenticeship places a trainee under a skilled worker for learning a trade over a prescribed period. None describes the classroom simulation specified here.

Step 3: Conclusion The method is Vestibule Training. Hence, the correct option is (A).

Quick Tip to Solve: A duplicate work setup away from the real workplace is the distinctive clue for vestibule training.

12. Statement I : For any exchange to take place it is important that there must be at least two parties — a buyer and a seller.

Statement II : Exchange can take place even if the buyers and sellers are not able to communicate with each other.

Choose the correct option from the following : [1 mark]

(A) Both Statement I and Statement II are correct.

(B) Both Statement I and Statement II are incorrect.

(C) Statement I is correct and Statement II is incorrect.

(D) Statement I is incorrect and Statement II is correct.

Correct Answer: (C) Statement I is correct and Statement II is incorrect.

Solution:

Concept:

- Exchange requires at least two parties, each possessing something of value to the other.
- Each party must be able to communicate and deliver, and must be free to accept or reject the offer.

Step 1: Evaluate Statement I Statement I is correct. Exchange cannot occur with only one party: there must be a buyer and a seller who can offer something of value to each other. Their exchange may involve goods or services in return for money or another agreed consideration.

Step 2: Evaluate Statement II and select the combination Statement II is incorrect. The parties must be able to communicate their offers and terms and deliver what they exchange. Without this ability, an agreed exchange cannot take place. Option (A) wrongly treats Statement II as correct; (B) wrongly rejects Statement I; and (D) reverses the truth of both statements.

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

Quick Tip to Solve: For exchange, check two parties, value, communication and delivery, freedom to choose, and willingness to deal.

13. Match the following marketing philosophies given in Column I with their respective meaning given in Column II.

	Column I		Column II
P.	The Product concept	(i)	It emphasises on increasing the profit through increased sales volumes by adopting aggressive selling techniques
Q.	The Production concept	(ii)	It emphasises on quality performance and features of product and thus profit maximisation through product improvement
R.	The Selling concept	(iii)	It emphasises on profit maximisation through volume of production, thereby reducing the cost of production
S.	The Marketing concept	(iv)	It emphasises on profit maximisation through customer satisfaction, i.e. identifying the needs of its present and prospective buyers and satisfying them in an effective manner

[1 mark]

(A) P–(ii), Q–(iii), R– (i), S–(iv)

(B) P–(i), Q–(ii), R–(iv), S–(iii)

(C) P–(iii), Q–(i), R–(ii), S–(iv)

(D) P–(iv), Q–(iii), R–(i), S–(ii)

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

Solution:

Concept:

- Product concept stresses product quality, performance and features; production concept stresses low cost and wide availability through large-scale production.
- Selling concept stresses aggressive selling; marketing concept begins with customer needs and seeks profit through customer satisfaction.

Step 1: Match product and production concepts P, the product concept, matches (ii): it focuses on quality, performance, features and product improvement. Q, the production concept, matches (iii): greater production volume helps lower production cost, making products affordable and available. Product improvement and production efficiency must therefore be kept distinct.

Step 2: Match selling and marketing concepts and check options R, the selling concept, matches (i): aggressive selling is used to increase sales volume. S, the marketing concept, matches (iv): identifying and effectively satisfying present and prospective customers is central. Option (B) misassigns all four; (C) confuses product, production and selling; (D) exchanges product improvement and customer satisfaction. Only (A) has every match correct.

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

Quick Tip to Solve: Remember the four focus words: product–quality, production–cost, selling–sales push, marketing–customer satisfaction.

14. The function of Stock Exchange which helps in creating a continuous market where securities are bought and sold is : [1 mark]

(A) Safety of transactions

(B) Pricing of securities

(C) Providing liquidity and marketability to existing securities

(D) Contribution to economic growth

Correct Answer: (C) Providing liquidity and marketability to existing securities

Solution:

Concept:

- A stock exchange provides a continuous market for trading existing securities.
- Liquidity means investors can convert securities into cash; marketability means the securities can readily be bought and sold.

Step 1: Identify the function indicated by continuous trading The phrase creating a continuous market where securities are bought and sold describes liquidity and marketability. Investors can sell existing securities to other investors instead of having to wait until the issuing enterprise returns their investment. This makes investment more convenient and attractive.

Step 2: Separate the other stock exchange functions Safety of transactions concerns regulated dealings and investor protection. Pricing of securities concerns determination of prices through demand and supply. Contribution to economic growth arises from allocating funds and encouraging investment. These are valid functions, but none names the continuous buying-and-selling facility described in the question.

Step 3: Conclusion The function is Providing liquidity and marketability to existing securities. Hence, the correct option is (C).

Quick Tip to Solve: If the clue is easy resale or converting an existing security into cash, choose liquidity and marketability.

15. The marketing function which includes plan for increasing the level of production, promotion of the products, etc. and specifies the action programmes to achieve these objectives is : [1 mark]

(A) Gathering and analysing market information

(B) Marketing planning

(C) Product designing and development

(D) Pricing of the product

Correct Answer: (B) Marketing planning

Solution:

Concept:

- Marketing planning means developing suitable plans to achieve the marketing objectives of the organisation.

- A marketing plan specifies the action programmes relating to production, promotion and other marketing activities.

Step 1: Identify what the function does The question refers to a function that specifies objectives and then sets out action programmes to achieve them. Planning determines in advance what is to be done and how it is to be done. Plans for increasing production and promoting products therefore form part of marketing planning.

Step 2: Rule out the other functions Gathering and analysing market information supplies information about customers and markets; it does not itself specify the entire action programme. Product designing and development deals with the features and appearance of a product. Pricing determines the amount customers pay. None of these narrower functions matches the complete planning activity described.

Step 3: Conclusion The function is marketing planning. Hence, the correct option is (B).

Quick Tip to Solve: Look for the combination of objectives and action programmes: it points to marketing planning.

16. Which of the following statements is incorrect ? [1 mark]

(A) The protective functions of the Securities and Exchange Board of India include levying fee or other charges for carrying out the purposes of the Act.

(B) The development functions of the Securities and Exchange Board of India include training of intermediaries of the securities market.

(C) The regulatory functions of the Securities and Exchange Board of India include registration of collective investment schemes and mutual funds.

(D) The objectives of the Securities and Exchange Board of India include protecting the rights and interests of investors, particularly individual investors and to guide and educate them.

Correct Answer: (A) The protective functions of the Securities and Exchange Board of India include levying fee or other charges for carrying out the purposes of the Act.

Solution:

Concept:

- SEBI performs protective, developmental and regulatory functions to promote an orderly securities market.
- Levying fees or other charges for carrying out the purposes of the Act is a regulatory function, rather than a protective function.

Step 1: Locate the incorrect classification Option (A) places levying fees and other charges under protective functions. This classification is incorrect: levying such fees or charges is listed among the regulatory functions of SEBI. Protective functions instead include preventing fraudulent practices, controlling insider trading and promoting fair practices.

Step 2: Check the remaining statements Option (B) correctly identifies training intermediaries as a developmental function. Option (C) correctly places registration of collective investment schemes and mutual funds under regulatory functions. Option (D) correctly states the investor-protection objective,

including guiding and educating individual investors. Thus only the classification in (A) is incorrect.

Step 3: Conclusion Levying fees or other charges is regulatory, so statement (A) is incorrect. Hence, the correct option is (A).

Quick Tip to Solve: For SEBI classifications, associate fees and registration with regulation, training with development, and prevention of malpractice with protection.

17. 'The use of debt increases the financial risk of a business.' The factor determining the choice of an appropriate capital structure of a company highlighted in the above statement is : [1 mark]

(A) Debt Service Coverage Ratio

(B) Risk consideration

(C) Cost of debt

(D) Flexibility

Correct Answer: (B) Risk consideration

Solution:

Concept:

- Capital structure is the relative proportion of debt and equity used to finance a business.
- Debt creates fixed interest commitments and repayment obligations, increasing financial risk for equity shareholders.

Step 1: Connect the statement to financial risk The words 'The use of debt increases the financial risk of a business' directly refer to risk consideration. Interest must be paid even when operating profits fall. Consequently, a business with high operating risk should be cautious about adding financial risk through excessive debt.

Step 2: Distinguish the other factors Debt Service Coverage Ratio measures the ability to meet debt-servicing commitments; the statement gives no ratio or cash-flow calculation. Cost of debt concerns the interest cost of borrowing. Flexibility concerns the ability to raise additional funds and change financing arrangements. The statement instead emphasises the risk created by debt itself.

Step 3: Conclusion The factor highlighted is risk consideration. Hence, the correct option is (B).

Quick Tip to Solve: When a capital-structure case stresses fixed debt obligations and financial risk, identify risk consideration.

18. 'A social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others' is known as : [1 mark]

(A) Marketing

(B) Marketing mix

(C) Branding

(D) Packaging

Correct Answer: (A) Marketing

Solution:

Concept:

- Marketing is a social process through which individuals and groups obtain what they need and want by creating and freely exchanging offerings of value.
- Customer needs and wants, creation of value, a market offering and exchange are central features of marketing.

Step 1: Identify the complete process The definition covers the entire process of understanding needs and wants, creating offerings and freely exchanging products and services of value. This broad social process is marketing. It goes beyond simply producing goods or persuading people to purchase them.

Step 2: Separate the narrower concepts Marketing mix is the combination of product, price, place and promotion tools used to achieve marketing objectives; it is not the social process itself. Branding gives a product an identifying name, sign or symbol. Packaging involves designing and producing its container or wrapper. Branding and packaging are activities within marketing, so neither can replace the broader term in the definition.

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

Quick Tip to Solve: A definition built around needs, wants, value and voluntary exchange refers to marketing as a whole.

19. Which of the following statements is incorrect about Sales Promotion ? [1 mark]

(A) It includes short-term incentives which are designed to encourage the buyers to make immediate purchase of a product or services.

(B) It includes all promotional efforts other than advertising, personal selling and public relations.

(C) It includes only those activities that are used to provide long-term incentives to boost the sales of a firm.

(D) It includes the activities which are undertaken to supplement other promotional efforts such as advertising and personal selling.

Correct Answer: (C) It includes only those activities that are used to provide long-term incentives to boost the sales of a firm.

Solution:

Concept:

- Sales promotion consists of short-term incentives designed to encourage immediate purchase of goods or services.
- It supplements advertising, personal selling and public relations through devices such as discounts, coupons, samples and contests.

Step 1: Test the time period in each statement Statement (C) describes sales promotion as providing only long-term incentives. This contradicts the essential short-term and immediate-purchase character of sales promotion. A temporary incentive encourages the customer to act now, rather than merely building a long-term preference.

Step 2: Verify the other descriptions Statement (A) correctly mentions short-term incentives and immediate purchase. Statement (B) correctly describes sales promotion as promotional efforts other than advertising, personal selling and public relations. Statement (D) correctly explains its supplementary role: for example, a limited discount may reinforce an advertising campaign. These correct descriptions leave (C) as the incorrect statement.

Step 3: Conclusion Statement (C) is incorrect because sales promotion uses short-term incentives. Hence, the correct option is (C).

Quick Tip to Solve: In sales-promotion questions, check words such as short-term and immediate; long-term incentives are the warning sign here.

20. Which of the following is not a factor affecting 'Financing Decision' of a Company : [1 mark]

(A) Cost

(B) Risk

(C) Cash flow position of a company

(D) Growth opportunities

Correct Answer: (D) Growth opportunities

Solution:

Concept:

- The financing decision determines the amount of finance to be raised from different long-term sources, particularly debt and equity.
- Its factors include cost, risk, flotation costs, cash-flow position, fixed operating costs, control considerations and the state of capital markets.

Step 1: Identify the factor outside the financing list Growth opportunities is not one of the stated factors affecting the financing decision in this classification. It is a factor affecting dividend decisions: a company with good growth opportunities may retain more earnings to finance future investments rather than distribute them as dividends.

Step 2: Explain why the other options affect financing Cost matters because different sources carry different costs and the firm seeks economical finance. Risk matters because debt entails compulsory interest and repayment obligations. Cash-flow position matters because regular, adequate cash flows are needed to service debt. Hence (A), (B) and (C) all directly influence the debt-equity financing choice, whereas (D) belongs to the dividend-decision list.

Step 3: Conclusion Growth opportunities is the factor asked for. Hence, the correct option is (D).

Quick Tip to Solve: Separate the textbook lists: cost, risk and cash flows affect financing; growth opportunities helps determine how much profit to retain or distribute.

21. After completing his MBA degree, Aman joined a multinational company 'Zeyovya Ltd.' His job demands long hours and commitment to the organisation. He is responsible for integrating diverse elements and coordinating all the activities of the business and for its impact on society. His job is complex and stressful.

(a) Identify the level of management at which Aman joined the organisation.

(b) State any two functions to be performed by Aman at this level other than those discussed in the para. [3 marks]

Solution:

Concept:

- Levels of management classify managers according to their authority and responsibilities. Top management has responsibility for the organisation as a whole.
- Top managers determine overall objectives and strategies, analyse the business environment and guide the organisation's future direction.

Step 1: Identify Aman's level from the case **(a) Top-level management:** Aman has joined top management. The case states that he is responsible for "integrating diverse elements and coordinating all the activities of the business" and for "its impact on society". These are organisation-wide responsibilities rather than supervision of a particular department or the day-to-day work of operatives. His complex, stressful job demanding long hours is also consistent with this level.

Step 2: State two other functions of top management **(b) Determine objectives and strategies:** Aman must formulate the overall objectives of the organisation and the strategies for achieving them. These provide a common direction for the work of the entire company.

Analyse the business environment: He must examine the external environment and its implications for the survival of the firm. By identifying opportunities and threats, top management can decide how the organisation should respond to changing conditions. These two functions are additional to the coordination and societal responsibilities already described in the paragraph.

Step 3: Conclusion Aman belongs to top-level management. Two further functions are determining overall organisational objectives and strategies, and analysing the business environment and its implications for the firm's survival.

Quick Tip to Solve: In a levels-of-management case, responsibility for the whole business and its social impact points to top management; give additional functions when the question excludes those already quoted.

22. 'Yellow Pumpkin' is an Italian restaurant in Delhi, well known for its fresh and authentic dishes including pasta, pizza, etc. It has been serving its customers for the last 20 years. It had been winning various awards and recognition for its services.

During Covid-19, it suffered huge losses. As the effect of Covid reduced and the business started picking up, the management of 'Yellow Pumpkin' also decided to go in for home delivery service to increase its revenue and profit. For this they needed support of their workers to work overtime. 'Yellow Pumpkin' entered into an agreement with its workers to put in extra hours without additional payment to revive it out of losses. In return, they promised to increase the wages of the workers when the mission is accomplished. The workers put in extra hours as committed and in just three months, the restaurant's business turned around and it became profitable again. 'Yellow Pumpkin' honoured its commitment and not only increased the wages of the workers but also gave them bonus as an additional incentive.

Identify and explain the principle of management followed by 'Yellow Pumpkin'. [3 marks]

Solution:

Concept:

- Fayol's principle of discipline means obedience to organisational rules and to the employment agreement necessary for the working of the organisation.
- Discipline requires good superiors at all levels, clear and fair agreements, and judicious application of penalties. It involves compliance by both workers and management with their commitments.

Step 1: Identify the principle from the agreement **Discipline:** The principle followed by Yellow Pumpkin is discipline. The restaurant "entered into an agreement with its workers to put in extra hours

without additional payment" to revive the business. The workers "put in extra hours as committed", showing their obedience to that agreement rather than merely working according to their individual preferences.

Step 2: Explain the principle and its application to management Discipline enables orderly and effective organisational functioning because members respect the rules and agreements governing their work. It is not restricted to imposing punishment on workers; management must also honour its obligations under a fair agreement. Here, management promised to raise wages once the restaurant recovered. After the turnaround, Yellow Pumpkin "honoured its commitment" and increased wages, also paying a bonus. Thus both the workers and the employer fulfilled their respective promises. This mutual observance of the agreement illustrates discipline and helped the restaurant overcome its losses.

Step 3: Conclusion Yellow Pumpkin followed Fayol's principle of discipline: workers fulfilled the agreed extra working hours, and management fulfilled its promise to increase wages when the business became profitable.

Quick Tip to Solve: When both workers and management honour an employment agreement, identify discipline; the wage increase here is evidence of keeping the agreement, not the main principle being tested.

23(a). Explain any two features of 'Directing' function of management. [3 marks]

Solution:

Concept:

- Directing is the process of instructing, guiding, counselling, motivating and leading people in an organisation to achieve its objectives.
- Its features describe how directing operates in management: it initiates action, takes place at every level, is continuous and flows from top to bottom.

Step 1: Explain how directing initiates action **Directing initiates action:** The other management functions prepare the framework for work: planning decides what is to be done, organising establishes relationships, and staffing places people in jobs. Directing then starts actual action by instructing and guiding employees to perform the work. Through motivation and leadership, the manager helps people translate organisational plans into purposeful effort. Thus directing activates human resources and enables the organisation to move from preparation to performance.

Step 2: Explain why directing occurs at every level **Directing takes place at every level of management:** Every manager, from top management to the supervisor, performs directing while dealing with subordinates. A top manager guides departmental managers, while a supervisor instructs and motivates the workers under the supervisor's charge. The scope of responsibility differs with the managerial level, but the need to guide people remains. Consequently, directing is not limited to the production floor or to a single category of managers; it is required throughout the managerial hierarchy wherever a superior-subordinate relationship exists.

Step 3: Conclusion Two features of directing are that it initiates action by converting plans into employees' performance, and that it takes place at every level of management through the guidance

of subordinates.

Quick Tip to Solve: For features of directing, explain how the function operates. Keep "initiates action" distinct from "takes place at every level" and illustrate each briefly.

OR

23(b). Explain any two features of 'Motivation' as an element of Directing. [3 marks]

Solution:

Concept:

- Motivation is the process of stimulating people to act in a desired manner to accomplish desired goals. It is an element of directing because it encourages employees to contribute willingly to organisational objectives.
- Motivation concerns the forces underlying human behaviour. Two features are explained below: it is an internal feeling, and it produces goal-directed behaviour.

Step 1: Explain motivation as an internal feeling **Motivation is an internal feeling:** The urge to act arises within an individual. Needs, desires, aspirations and feelings influence a person's behaviour and create the drive to make an effort. A manager cannot directly observe this inner urge; the manager understands employees' needs and provides suitable opportunities or incentives to stimulate it. For example, a desire for recognition may encourage an employee to accept challenging work. Thus, an external reward is a stimulus, while the willingness to act is generated inside the employee.

Step 2: Explain the direction given to behaviour **Motivation produces goal-directed behaviour:** Motivation channels a person's effort towards achieving a particular goal. An employee who seeks promotion may work carefully, improve skills and meet performance targets because these actions help achieve that goal. Managers should connect the satisfaction of personal needs with organisational objectives so that employees' efforts also benefit the organisation. Motivation therefore involves purposeful action rather than merely being busy or active.

Step 3: Conclusion Motivation is an internal feeling arising from individual needs and desires, and it produces goal-directed behaviour by directing effort towards a desired outcome.

Quick Tip to Solve: Distinguish the inner drive from its outward result: needs generate motivation within the person, and the resulting effort is directed towards a goal.

24(a). State any three points that highlight the importance of financial planning. [3 marks]

Solution:

Concept:

- Financial planning means estimating the funds required by a business and deciding the sources through which they will be raised. It translates the business plan into a financial plan.
- Its aim is to ensure that adequate funds are available at the right time and that the firm does not

raise funds unnecessarily. The following are three points highlighting its importance.

Step 1: State how planning prepares the firm for the future **Helps in forecasting future happenings:** Financial planning makes management consider future requirements and possible situations before they arise. By estimating receipts, payments and investment needs, the firm can identify likely shortages and arrange suitable funds in advance. It can therefore face future business conditions with greater preparation instead of making hurried financial decisions at the last moment.

Step 2: State how planning coordinates business activities **Helps in coordinating business functions:** Financial planning links the investment and financing plans with the requirements of different departments. For instance, production and sales plans must be supported by the necessary funds. Bringing these requirements together helps departments work in a coordinated manner and prevents one department's plan from being unsupported by the firm's financial resources.

Step 3: State how planning connects the present and future **Links the present with the future:** Financial planning relates current financial decisions to the firm's future requirements. Management can judge how present investment, borrowing and use of funds will influence the availability of resources later. This connection helps the firm maintain continuity in its operations and pursue future objectives through a planned sequence of financial decisions.

Step 4: Conclusion Financial planning is important because it prepares the firm for future happenings, coordinates business functions, and links present financial decisions with future requirements.

Quick Tip to Solve: For an importance question, name each benefit in a clear heading and explain what financial planning enables the business to do.

OR

24(b). State how the following factors affect the working capital requirements of a company :

(i) Seasonal Factors

(ii) Production Cycle

(iii) Operating Efficiency [3 marks]

Solution:

Concept:

- Working capital is the amount invested in current assets needed for day-to-day business operations. It supports items such as inventory, receivables and operating cash requirements.
- The requirement depends on how much money is tied up in the operating cycle and for how long. Seasonal demand, the length of production and the efficiency of operations affect this investment.

Step 1: State the effect of seasonal factors **(i) Seasonal factors:** During the peak season, a business operates on a larger scale to meet higher demand. It needs more inventory and other current assets, so its working capital requirement is higher. During the lean season, the scale of activity and the funds needed for current assets fall, reducing the requirement. Thus, a seasonal business must arrange working capital according to the expected rise and fall in its operating needs.

Step 2: State the effect of the production cycle **(ii) Production cycle:** A longer production cycle increases the working capital requirement because funds remain tied up in raw materials and work-in-progress for a longer period before finished goods become available for sale. A shorter production cycle releases these funds sooner and therefore requires less working capital, other factors remaining the same. The relevant issue is the duration for which funds are committed to production.

Step 3: State the effect of operating efficiency **(iii) Operating efficiency:** Greater operating efficiency reduces the working capital requirement. Efficient management of operations reduces waste, improves inventory turnover and helps debtors pay promptly. Less money is consequently blocked in inventories and receivables. Conversely, inefficient operations, slow stock movement and delayed collections keep funds tied up longer and increase the requirement for working capital.

Step 4: Conclusion Peak seasonal activity and a longer production cycle increase working capital needs, while greater operating efficiency reduces them; the reverse conditions have the opposite effects.

Quick Tip to Solve: Track how long and how much money is tied up: higher activity and slower production require more funds, while faster turnover and collection release them.

25(a). (i) Identify the process of choosing the best person from among the pool of the prospective candidates. State the first step in the process identified.

(ii) In all cases, including highly specialised jobs, where the choice is very narrow, the process identified in (i) above serves two important purposes. State these purposes. [4 marks]

Solution:

Concept:

- Selection is the process of choosing the best person from the pool of prospective candidates developed through recruitment. It matches applicants' suitability with the requirements of the job.
- The selection process begins with preliminary screening. Its importance remains even when a specialised job has very few eligible applicants.

Step 1: Identify the process and its first step **(i) Selection:** The expression 'choosing the best person from among the pool of the prospective candidates' describes selection. Recruitment attracts applicants; selection evaluates those applicants and chooses the most suitable person for appointment.

First step - Preliminary screening: This eliminates unqualified or unfit job seekers on the basis of the information supplied in their application forms. A preliminary interview may also help reject applicants whose background, attitude or qualifications do not match the job. Only suitable candidates proceed to the detailed selection stages.

Step 2: State the two purposes served by selection **(ii) Obtaining the best available candidate:** Selection ensures that the organisation gets the best among the available applicants. Even when the choice is narrow for a highly specialised position, assessment is needed to judge which applicant's abilities and suitability most closely meet the requirements of the job.

Enhancing the selected person's self-esteem and prestige: Candidates who pass rigorous tests and a serious selection procedure feel that their appointment is an achievement. The seriousness with

which selection is conducted conveys the importance the organisation attaches to the job and to the person selected for it. Thus, selection also builds the selected employee's sense of worth.

Step 3: Conclusion The process is **selection**, and its first step is **preliminary screening**. It both obtains the best available person and enhances the self-esteem and prestige of the selected candidate.

Quick Tip to Solve: Link 'best person from a pool' to selection. For its two purposes, remember the organisation's benefit (best applicant) and the selected person's benefit (self-esteem and prestige).

OR

25(b). Identify and explain the following :

(i) The job-oriented process that increases knowledge and skills and enables the employee to do the job better.

(ii) The career-oriented process of learning and growth that enables the overall growth of the employee. [4 marks]

Solution:

Concept:

- Training and development improve employees' capabilities, but differ in their immediate focus. Training concentrates on the skills and knowledge needed for a particular job; development concerns overall personal and professional growth.
- Training is job-oriented and develops proficiency for present duties. Development is career-oriented and prepares an employee for wider responsibilities over time.

Step 1: Identify and explain the job-oriented process **(i) Training:** The clue 'increases knowledge and skills and enables the employee to do the job better' identifies training. It is the process by which employees' aptitudes, skills and abilities to perform specific jobs are increased.

Focus on the present job: Training teaches employees the methods, procedures and practical skills required for the work they currently perform. For example, teaching an employee to operate a particular machine improves performance of that specific task.

Improvement in job performance: By filling gaps in job-related knowledge and skills, training helps employees work more efficiently and accurately. Its scope is relatively narrow because its immediate aim is better performance in an assigned job.

Step 2: Identify and explain the career-oriented process **(ii) Development:** The clue 'career-oriented process of learning and growth' identifies development. It refers to the learning opportunities designed to help employees grow in their overall capabilities, rather than merely master a particular present task.

Focus on future responsibilities: Development broadens an employee's understanding, judgement, attitudes and managerial abilities. For example, learning to analyse business situations and lead teams prepares a person for positions with greater responsibility.

Overall and continuing growth: Its scope is wider than training, and its orientation is long term. It enables the employee to develop as a person and professional, so that the employee can progress in a

career and respond effectively to changing organisational needs.

Step 3: Conclusion The job-oriented process in (i) is **training**, which improves specific job knowledge and skills. The career-oriented process in (ii) is **development**, which promotes overall growth and prepares the employee for future responsibilities.

Quick Tip to Solve: Use the focus to distinguish the terms: training improves performance of a specific present job, whereas development builds broader capabilities for a future career.

26(a). State any four features of 'Leadership'. [4 marks]

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards the achievement of organisational goals.
- Leadership is a part of directing. It involves a relationship between a leader and followers, and uses influence to guide their efforts towards common objectives.

Step 1: State the features concerning influence and behaviour

- **Ability to influence others:** Leadership indicates the ability of an individual to influence others. A leader gains the cooperation of followers and inspires them to contribute willingly, rather than relying only on formal authority or orders.
- **Brings change in behaviour:** Leadership tries to bring a change in the behaviour of others. The leader guides employees so that their attitudes and actions support the work to be done; influence therefore produces purposeful action.

Step 2: State the features concerning relationships and objectives

- **Interpersonal relationship:** Leadership indicates an interpersonal relationship between a leader and followers. The leader communicates with people, understands their needs and obtains their cooperation; leadership cannot exist without followers.
- **Achievement of common goals:** Leadership is exercised to achieve the common goals of the organisation. The leader directs the efforts of followers towards these goals and prevents their work from becoming a collection of unrelated individual activities.

Step 3: Conclusion The four features are the ability to influence others, an attempt to change their behaviour, an interpersonal relationship between leader and followers, and direction towards common organisational goals.

Quick Tip to Solve: For leadership features, remember influence, behaviour, relationship and common goals; explain each separately instead of listing a leader's personal qualities.

OR

26(b). Give the meaning of 'Autocratic' and 'Democratic' style of Leadership. [4 marks]

Solution:

Concept:

- A leadership style is the behavioural pattern which a leader adopts in directing and influencing subordinates. Different styles differ in how decisions are made and how much participation employees receive.
- Autocratic leadership centres authority in the leader, whereas democratic leadership involves subordinates in making decisions. The meaning of each style concerns the use of authority, communication and participation.

Step 1: Explain autocratic leadership **Autocratic or authoritarian leadership:** An autocratic leader gives orders and expects subordinates to obey them. The leader determines the policies and makes decisions without consulting the group; decision-making authority is concentrated in the leader's hands.

The leader decides what is to be done, how it is to be done and who will do it. Communication is mainly one-way, from the superior to subordinates, and employees receive little freedom to participate in decisions. The leader may use rewards and penalties to secure compliance. For example, a supervisor who decides the work method alone and instructs workers to follow it uses this style.

Step 2: Explain democratic leadership **Democratic or participative leadership:** A democratic leader develops action plans and makes decisions in consultation with subordinates. The leader encourages employees to express their opinions and give suggestions, and uses their participation in deciding the course of action.

Communication flows both ways, allowing the leader to explain proposals and employees to provide feedback. The leader respects the contribution of followers while retaining the responsibility for guiding the group towards its goals. For example, a manager who discusses possible work methods with the team before selecting a suitable method follows this style.

Step 3: Conclusion Autocratic leadership means making decisions independently and expecting obedience to orders. Democratic leadership means involving subordinates through consultation and participation in decision-making.

Quick Tip to Solve: Identify the decision process: orders decided by the leader indicate autocratic leadership; consultation and employee participation indicate democratic leadership.

27. Considering the inadequate job opportunities and too many aspirants for jobs, 'Alen Pvt. Ltd.' decided to give its employees certain stability about future income and work so that they do not feel worried on these aspects. As a result, the employees of 'Alen Pvt. Ltd.' are now working with greater zeal.

Identify the incentive discussed in the above lines and state three more incentives of the same type. [4 marks]

Solution:

Concept:

- Non-financial incentives satisfy psychological, social and emotional needs such as security, recognition, esteem and growth, rather than directly offering monetary rewards.
- Job security gives employees stability about future income and work. Removing the fear of losing their employment can encourage them to work with greater zeal.

Step 1: Identify the incentive from the case The incentive is **job security**, which is a **non-financial incentive**. Alen Pvt. Ltd. decided to give employees "certain stability about future income and work so that they do not feel worried on these aspects." This assurance satisfies their need for security in a situation of inadequate job opportunities. The resulting "greater zeal" shows its motivating effect. Although employment provides income, the incentive described here is the assurance of continued work, rather than a salary increase or cash bonus.

Step 2: State three other non-financial incentives

- **Status:** A person's rank or position in the organisation, with the authority, responsibility, recognition and prestige attached to it, satisfies esteem needs and can motivate better performance.
- **Career advancement opportunity:** Opportunities to improve skills and to be promoted to higher-level jobs give employees prospects of growth. Suitable training and fair promotion opportunities encourage them to improve their performance.
- **Employee recognition programmes:** Appreciating an employee's contribution, for example through acknowledgement of good work, a certificate or public praise, satisfies the need for recognition and encourages continued effort.

Step 3: Conclusion Alen Pvt. Ltd. uses **job security**, a non-financial incentive. Three other incentives of this type are **status**, **career advancement opportunity** and **employee recognition programmes**.

Quick Tip to Solve: Link an assurance of future work with job security. When asked for incentives of the same type, choose other non-financial incentives rather than bonus, commission or profit sharing.

28. Give the meaning of 'Capital Market'. Differentiate between 'Capital Market' and 'Money Market' on the basis of the following :

(a) Participants

(b) Investment Outlay

(c) Duration [4 marks]

Solution:

Concept:

- The capital market provides facilities and institutional arrangements through which long-term funds, both debt and equity, are raised and invested. It channels savings into productive uses requiring long-term finance.
- The money market deals in short-term funds and monetary assets with a maturity of up to one year. The two markets differ in their participants, typical investment outlay and duration.

Step 1: Give the meaning of capital market **Capital market** refers to the facilities and institutional arrangements through which **long-term funds, both debt and equity, are raised and invested**. It includes financial institutions, banks, corporate entities, foreign investors and individuals who supply or obtain long-term finance. Its primary market deals with new securities, while its secondary market provides a market for existing securities. Thus, it supports long-term capital requirements rather than temporary cash needs alone.

Step 2: Compare the markets

Basis	Capital Market	Money Market
Participants	Financial institutions, banks, corporate entities, foreign investors and ordinary retail investors participate. Individuals can invest in securities such as shares.	The major participants are the Reserve Bank of India, banks, financial institutions and finance companies. These are predominantly institutional participants.
Investment outlay	A large investment is not necessarily required. Securities may have a small unit value, allowing individuals with relatively small savings to participate.	A large investment outlay is generally required because money-market instruments involve large denominations and transaction amounts.
Duration	Deals in medium-term and long-term funds: instruments generally have a maturity exceeding one year. Equity shares have no fixed maturity.	Deals in short-term funds and instruments whose maturity is up to one year.

Step 3: Conclusion The capital market raises and invests long-term debt and equity funds. Compared with the money market, it admits a wider range of investors including retail investors, permits relatively small investment outlays, and provides funds for periods exceeding one year rather than up to one year.

Quick Tip to Solve: For this comparison, remember three links: capital market–retail participation, smaller possible outlay and longer duration; money market–institutions, large outlay and up to one year.

29. 'Hitesh Ltd.' is a well-known company in the cement industry since 1999. The company has an authorised capital of ₹ 100 crore and is listed with a reputed stock exchange. The value of its shares is increasing day-by-day due to increase in the demand for cement.

Now the company wants to enter into car manufacturing business. For this it requires ₹ 200 crore. The Finance Manager of the company decides to raise this capital by a public issue.

(a) Identify the market in which the company's existing securities are being traded.

(b) Name the market through which the company wants to raise its capital of ₹ 200 crore for its new business.

(c) Distinguish between the markets identified in (a) and (b) above on the basis of any two points.

[4 marks]

Solution:

Concept:

- The capital market deals in medium- and long-term funds. Its primary market handles new securities, while its secondary market facilitates the purchase and sale of existing securities.
- A public issue brings new funds to the issuing company. Trading on a stock exchange transfers existing securities between investors and provides liquidity to their investments.

Step 1: Identify the market for existing securities **(a) Secondary market:** Hitesh Ltd.'s existing shares are traded in the secondary market, also called the stock market. The case says that the company "is listed with a reputed stock exchange" and asks about its "existing securities". These are shares already issued by the company; investors now buy and sell them among themselves. The daily rise in their market value does not itself bring fresh funds into the company.

Step 2: Identify the market for the new public issue **(b) Primary market:** The proposed capital of Rs 200 crore will be raised through the primary market, also called the new issues market. The decisive words are "raise this capital by a public issue". The company will issue new securities to investors, and the proceeds will finance its entry into car manufacturing. Being an already listed company does not prevent it from making a new issue in the primary market.

Step 3: Distinguish the markets on two bases **(c) The two differences are:**

Basis	Secondary market (a)	Primary market (b)
Nature of securities	Existing securities already issued by companies are bought and sold.	New securities are issued and sold for the first time.
Parties and destination of funds	Investors trade with other investors. The sale proceeds go to the selling investor, rather than to the issuing company.	The issuing company sells securities to investors. The proceeds go to the company and provide fresh capital.

Step 4: Conclusion The existing shares trade in the **secondary market**; the fresh public issue belongs to the **primary market**. They differ in whether securities are existing or newly issued and whether the funds go to a selling investor or to the company.

Quick Tip to Solve: Ask who receives the money: a company raising fresh capital points to the primary market; an investor selling existing shares points to the secondary market.

30. 'Smart Watch Ltd.' is a watch manufacturing company marketing smart-watches for adults. The company now wants to manufacture smart-watches for children also. For this it gathered and analysed market information, did marketing planning, product designing and development, standardisation and also decided about the packaging, labelling, branding, pricing, warehousing, transportation and distribution of these smart-watches. Even after doing all the above stated activities the company is not picking up the sales.

The Chief Executive Officer of the company asked the Marketing Manager to find out the reason. The Marketing Manager investigated the matter and found out that his marketing team had not performed the two important functions of marketing which may help the company not only in boosting the sales but also in getting repeat sales.

Identify and explain the functions of marketing which were not performed by the marketing team.

[4 marks]

Solution:

Concept:

- Marketing includes informing and persuading target customers as well as satisfying them after purchase. A suitable product and an efficient distribution system alone do not complete the marketing effort.
- Promotion communicates the product's benefits and encourages purchase. Customer support services maintain customer satisfaction and help generate repeat purchases.

Step 1: Identify and explain promotion **1. Promotion:** This function involves informing potential customers about the firm's products and persuading them to buy them. It helps customers become aware of the product, understand its benefits and prefer it over competing offerings. Advertising, personal selling, sales promotion and public relations are the main tools of promotion; the firm chooses a suitable combination for its target market and budget.

The case says that "the company is not picking up the sales" despite completing product, price and distribution decisions. Promotion is absent from the list of activities performed. Smart Watch Ltd. must communicate the features and benefits of its children's watches to the relevant buyers, including parents. This connects its product offering with prospective customers and supports initial sales.

Step 2: Identify and explain customer support services **2. Customer support services:** These services include after-sales services, handling customer complaints and adjustments, providing credit services, maintenance services, technical assistance and consumer information. Their purpose is to maximise customer satisfaction by removing difficulties experienced while purchasing or using the product.

The clue is that the omitted functions can help in "getting repeat sales". Reliable assistance and satisfactory complaint handling make a buyer more likely to remain with the company and purchase again. For smart-watches, explaining their use and arranging appropriate after-sales support would help customers obtain the expected benefit. These are applications of the function, rather than activities the case states have already been undertaken.

Step 3: Connect both functions with the sales problem **Attract and retain customers:** Promotion addresses the need to inform and persuade customers before purchase, while customer support services address their satisfaction during and after purchase. The company has already considered designing, pricing, warehousing and distribution; repeating those names would not identify the two

omissions. It must complete its marketing effort by communicating value and supporting the customer experience.

Step 4: Conclusion The two marketing functions not performed are **promotion** and **customer support services**. Promotion helps create awareness and encourage purchases; customer support services improve satisfaction and encourage repeat sales.

Quick Tip to Solve: Check the list of marketing functions for omissions: communicating with buyers indicates promotion, while complaints, assistance and repeat purchases indicate customer support services.

31(a). Explain the following characteristics of management :

(i) Management is a goal-oriented process

(ii) Management is a continuous process

(iii) Management is all pervasive [6 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently through people to achieve organisational objectives.
- Its characteristics explain the purpose, continuing nature and wide application of the managerial process.

Step 1: Explain why management is goal-oriented **(i) Management is a goal-oriented process:** Every organisation is established to achieve certain objectives. These may be earning profit, providing education or delivering health services, according to the organisation's purpose. Management unites the efforts of different individuals and directs them towards these common objectives.

Managers translate the overall purpose into specific goals and coordinate activities so that people do not merely remain busy but contribute to the desired results. For example, a production manager arranges people and resources to achieve the required output and quality. Thus, the achievement of clearly stated organisational goals gives direction to the management process.

Step 2: Explain why management is continuous **(ii) Management is a continuous process:** Management consists of a series of interrelated functions: planning, organising, staffing, directing and controlling. Managers perform these functions on an ongoing basis; their work does not end when one plan is prepared or one target is achieved.

These functions also overlap. While implementing a present plan, a manager may recruit employees, guide existing workers and compare actual results with standards. Feedback from controlling may require fresh planning. Since the organisation continues to operate and conditions keep changing, management is a continuing process rather than a single isolated act.

Step 3: Explain why management is all pervasive **(iii) Management is all pervasive:** Managerial activities are needed in all types of organisations, whether business or non-business, large or small, and in every country. A factory, school, hospital and charitable institution all need people and resources to be coordinated to achieve their respective objectives.

Management is also necessary at every level and in every department, such as production, finance

and marketing. The exact practices and emphasis may vary with the organisation and situation, but the basic need to plan, organise, staff, direct and control remains. Hence its application extends throughout organised human activity.

Step 4: Conclusion Management is goal-oriented because it directs collective effort towards common objectives, continuous because its interrelated functions recur throughout organisational life, and all pervasive because it is required across organisations, departments and levels.

Quick Tip to Solve: Link goal-oriented with the purpose of management, continuous with its recurring functions, and all pervasive with where management is needed.

OR

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

(i) Universal applicability

(ii) Flexible

(iii) Mainly behavioural [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for decision-making and managerial behaviour, developed through observation, experience and experimentation.
- They guide managerial judgement rather than prescribing one mechanical solution for every organisation and situation.

Step 1: Explain universal applicability **(i) Universal applicability:** Principles of management can be applied to all types of organisations, business as well as non-business, small as well as large, and at different levels of management. For example, the need for an appropriate division of work exists in a factory as well as a hospital, even though the work performed differs.

However, the extent and manner of their application vary with the nature of the organisation, its activity and the situation. Universal applicability means that the principles have broad relevance; it does not mean that every organisation must apply each principle in exactly the same way. Managers must interpret the guideline in the context in which they work.

Step 2: Explain flexibility **(ii) Flexible:** Management principles are not rigid prescriptions that must be followed absolutely in every circumstance. A manager has discretion to modify their application according to the needs of the situation, the organisation and the people concerned.

For instance, the appropriate balance between centralisation and decentralisation depends on factors such as the size of the organisation and the competence of subordinates. Similarly, the degree of specialisation may be adjusted to the task. Flexibility enables the manager to use the principles intelligently in changing conditions, instead of treating them as inflexible rules that replace judgement.

Step 3: Explain their mainly behavioural nature **(iii) Mainly behavioural:** Management principles are primarily concerned with influencing human behaviour in organisations. Management works through people, so its principles guide relationships, attitudes and conduct, such as cooperation,

discipline, initiative and fair treatment.

Human behaviour is complex and is affected by individual differences and changing circumstances. Therefore, these principles help managers understand and influence people but cannot guarantee identical responses from every employee. They are mainly, rather than exclusively, behavioural: management also deals with resources and work methods, but even these must be coordinated through people. Their effective application requires an understanding of the relationship between people, structure and organisational goals.

Step 4: Conclusion Management principles have universal relevance across organisations, allow flexibility in their application, and mainly guide human behaviour and relationships at work. They provide a foundation for sound managerial decisions while leaving room for judgement about the particular situation.

Quick Tip to Solve: Separate scope from application: universal means widely relevant, flexible means adaptable, and mainly behavioural means concerned chiefly with people at work.

32(a). Explain the following points of importance of 'Organising' function of management :

(i) Benefits of specialisation

(ii) Clarity in working relationships

(iii) Adaptation to change [6 marks]

Solution:

Concept:

- Organising is the process of identifying and dividing work, grouping activities, assigning duties and establishing reporting relationships so that people can work together towards organisational objectives.
- Its importance lies in creating a suitable structure for efficient performance. Specialisation concerns the work assigned, clarity concerns authority and responsibility, and adaptation concerns adjustment to the business environment.

Step 1: Explain the benefits of specialisation **(i) Benefits of specialisation:** Organising systematically divides the total work into manageable activities and assigns specific jobs to employees according to their abilities. Instead of requiring everyone to perform every activity, it concentrates each person's effort on an identifiable part of the work.

Repeated performance of a particular task allows an employee to acquire skill, experience and proficiency in it. This reduces unnecessary effort and improves the quality and efficiency of performance. Thus, division of work through organising makes specialisation possible and helps the enterprise use its human resources more effectively.

Step 2: Explain clarity in working relationships **(ii) Clarity in working relationships:** Organising specifies the duties of each job, the authority needed to perform them and the person to whom the employee must report. Employees therefore know what they are expected to do, who can give them directions and to whom they are accountable.

Clearly defined reporting relationships remove ambiguity in the transfer of information and instruc-

tions. They reduce confusion, overlapping responsibilities and disputes over authority. Because employees understand their roles and their relationships with others, coordinated execution of work becomes easier.

Step 3: Explain adaptation to change **(iii) Adaptation to change:** A properly organised structure provides a framework within which the enterprise can adjust to changes in its business environment. Activities, jobs and relationships can be modified when new technology, new products or changed market requirements call for a different arrangement of work.

Organising permits suitable changes in the structure and in the relationships among different positions. This gives the organisation stability while allowing it to continue growing and survive despite environmental changes. The structure supports adjustment instead of allowing changes to produce confusion about responsibilities.

Step 4: Conclusion Organising improves performance by developing specialised skills, making duties and reporting relationships clear, and providing a structure that can adjust to environmental changes. These three benefits together help employees work efficiently towards common objectives.

Quick Tip to Solve: Link the three headings to three questions: What work will each person specialise in? Who reports to whom? How can the structure adjust when conditions change?

OR

32(b). Explain the following points of importance of 'Delegation' :

(i) Effective management

(ii) Employee development

(iii) Better coordination [6 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out an assigned responsibility. It enables work to be performed at different levels while the superior retains ultimate accountability for the results.
- Responsibility, authority and accountability clarify the relationship between superior and subordinate. Delegation helps managers use their time effectively and gives subordinates opportunities to develop their abilities.

Step 1: Explain effective management **(i) Effective management:** Delegation allows a manager to share the workload with subordinates rather than personally perform every routine activity. By entrusting suitable tasks and the necessary authority to others, the manager gains time to concentrate on important matters requiring greater attention and judgment.

The manager can devote more effort to planning, policy decisions and supervision, while subordinates carry out the assigned operations. This makes better use of managerial time and capabilities and improves the effectiveness of management. Delegation does not mean abandoning control: the manager still guides subordinates and reviews results.

Step 2: Explain employee development **(ii) Employee development:** When employees receive authority to perform assigned duties, they gain opportunities to use their knowledge, exercise judgment and take decisions. Performing these tasks gives them practical experience that they would not acquire by merely following detailed instructions for every action.

Such experience develops managerial skills and enables employees to discover and improve their abilities. Taking responsibility for results also builds confidence and initiative. Delegation therefore prepares subordinates to handle more challenging assignments and greater responsibilities in the future, helping the organisation develop capable employees.

Step 3: Explain better coordination **(iii) Better coordination:** Delegation clearly identifies the task to be carried out, the authority available to perform it and the accountability for its completion. Employees understand their duties, the limits within which they may act and the superior to whom they must report.

This clarity reduces ambiguity, duplication of effort and conflict over who should do a particular job. Defined authority-responsibility relationships link the efforts of different employees and establish an orderly chain of communication. As a result, individual contributions can be brought together more smoothly to achieve common organisational objectives.

Step 4: Conclusion Delegation improves managerial effectiveness by sharing work, develops employees through decision-making experience, and strengthens coordination by clarifying duties, authority and accountability. It therefore benefits both managers and their subordinates.

Quick Tip to Solve: Keep the three benefits distinct: managerial time explains effective management, learning through responsibility explains development, and clear working relationships explain coordination.

33. Identify and explain the type of plans in the following cases :

(a) 'Ananta Travel and Tourism Pvt. Ltd.' is providing tourism and hospitality services to its customers. To achieve its objectives the company prepares a comprehensive plan taking into consideration the business environment.

(b) Amit is Chief Executive Officer of 'Mannat Raj Industries'. He developed the broad parameters within which the managers may function. By doing so he tried to provide a base for interpreting strategy which was stated in general terms. [6 marks]

Solution:

Concept:

- Planning specifies the objectives to be achieved and the course of action for achieving them. Different types of plans serve different managerial purposes.
- A strategy provides a comprehensive direction for the enterprise, whereas a policy provides broad guidelines for managerial decisions within that direction.

Step 1: Identify the plan used by Ananta **(a) Strategy:** The decisive words are "a comprehensive plan taking into consideration the business environment". Thus, Ananta Travel and Tourism Pvt. Ltd. is preparing a strategy to achieve its tourism and hospitality objectives. The reference to the environment shows that the company is relating its overall course of action to the conditions in which

it operates.

Step 2: Explain the scope of a strategy **Comprehensive framework:** A strategy is a comprehensive plan for accomplishing an organisation's objectives. It integrates the major decisions that give the organisation an overall direction rather than prescribing a single routine action.

Three dimensions: It includes determining long-term objectives, adopting a particular course of action and allocating the resources necessary to achieve those objectives. These decisions must support one another so that resources are directed towards the selected goals.

Environmental consideration: A strategy takes account of the business environment, including opportunities, threats and competition. This is why the environmental assessment mentioned in Ananta's case is relevant to selecting its overall plan.

Step 3: Identify and explain Amit's plan **(b) Policy:** Amit "developed the broad parameters within which the managers may function". These broad parameters identify a policy, because it guides decisions without specifying every individual decision in advance.

General statements: Policies are general statements that guide thinking and channel managerial efforts towards organisational objectives. They define the broad boundaries within which managers may exercise discretion, allowing decisions to be consistent across the organisation.

Interpretation of strategy: A policy provides a basis for interpreting a strategy stated in general terms. The case expressly says that Amit tried "to provide a base for interpreting strategy". Therefore, the managers can translate the organisation's overall direction into consistent decisions within the limits established by the policy.

Step 4: Conclusion Ananta's comprehensive, environment-conscious plan is a **strategy**. Amit's broad decision-making parameters are a **policy**. A strategy sets the overall course and resource commitments; a policy guides managerial judgement in carrying it out.

Quick Tip to Solve: Link "comprehensive plan plus business environment" to strategy, and "broad parameters guiding decisions" to policy. Quote the identifying words before explaining each plan.

34. Kartik is engaged in trading of Smart Televisions. He purchases these televisions from 'Vivek Electronics', the manufacturer. All the televisions are certified by 'Bureau of Indian Standards'. During Deepawali season, 'Vivek Electronics' supplied some defective television sets to Kartik. Kartik is getting complaints about the televisions from almost all the customers.

(a) Who amongst the following can exercise his/her 'Right' and against whom ?

(i) Kartik

(ii) Vivek Electronics

(iii) Consumers

(b) Define 'Consumer' as per the provisions of the Consumer Protection Act, 2019.

(c) State the 'Right' which can be exercised to get relief. [6 marks]

Solution:

Concept:

- Consumer protection safeguards a buyer or user who satisfies the statutory definition of consumer. A purchase for resale or for a commercial purpose is generally excluded from this definition.
- The right to seek redressal enables a consumer to obtain relief against unfair trade practices, restrictive trade practices or unscrupulous exploitation, including appropriate relief for defective goods.

Step 1: Identify who can exercise the consumer right **(a) Consumers:** The final consumers who bought the defective televisions can exercise their consumer right against **Kartik, the seller, and/or Vivek Electronics, the manufacturer**, as applicable to the defect and complaint. The case states that Kartik is getting complaints "from almost all the customers" after the manufacturer supplied "some defective television sets". The final buyers are therefore the aggrieved consumers entitled to seek relief.

Kartik's position: Kartik buys the televisions for resale because he is "engaged in trading of Smart Televisions". Consequently, he is not a consumer in respect of this purchase under the Consumer Protection Act, 2019. He cannot claim this consumer right merely as the manufacturer's resale purchaser; any other contractual remedy is a separate matter.

Vivek Electronics' position: Vivek Electronics is the manufacturer supplying the defective sets, not the aggrieved consumer in the transaction described. It cannot claim a consumer's right on these facts. BIS certification does not remove the buyers' right to complain about actual defects.

Step 2: State the statutory meaning of consumer **(b) Buyer of goods:** A consumer is a person who buys goods for a consideration which has been paid or promised, partly paid and partly promised, or under any system of deferred payment. It includes a user of such goods other than the buyer when the use is made with the buyer's approval. It excludes a person who obtains goods for resale or for a commercial purpose.

Hirer or beneficiary of services: It also means a person who hires or avails of services for consideration paid or promised, partly paid and partly promised, or under deferred payment. It includes a beneficiary other than the hirer when the services are availed of with the hirer's approval, but excludes a person availing of services for a commercial purpose.

The definition covers offline and online transactions through electronic means, teleshopping, direct selling and multi-level marketing. For goods, use exclusively to earn one's livelihood by self-employment

does not fall within the commercial-purpose exclusion. Nothing in the case places Kartik's purchases for trading within that exception.

Step 3: Name the right that provides relief **(c) Right to seek redressal:** The consumers can exercise this right to obtain relief for the defective televisions. They may seek removal of the defect, replacement with defect-free goods, refund of the price or appropriate compensation, according to the facts and the relief granted by the competent consumer commission. The right makes protection effective by providing a remedy rather than merely information about product quality.

Step 4: Conclusion The final consumers can seek redressal against the seller Kartik and/or the manufacturer Vivek Electronics for the defective sets. Kartik's resale purchase does not make him a consumer under the Act. The applicable right is the **right to seek redressal**.

Quick Tip to Solve: First test the purpose of the purchase: resale excludes Kartik from the consumer definition. Then connect defective goods and the demand for relief with the right to seek redressal.