CBSE Class 12 Business Studies Question Paper 2023 with Solution PDF-Set 66/4/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question paper contains **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 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 specifies marketing objectives and the programmes of action required to achieve them.
- A marketing plan coordinates decisions about production, promotion and other marketing activities.

Step 1: Identify the action described The question refers to a plan for increasing production and promoting products, together with action programmes for achieving the objectives. These are the defining elements of marketing planning: deciding what the business wants to achieve in the market and how it will do so.

Step 2: Distinguish the other functions Gathering and analysing market information supplies facts about customers, competitors and market conditions. Product designing and development concerns the features, design and improvement of the offering. Pricing fixes the amount customers pay. Each may support a plan, but none describes the complete programme of action asked for here.

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

Quick Tip to Solve: When a question combines marketing objectives with action programmes, identify marketing planning.

2. 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:

- The product concept stresses product quality, performance and features; the production concept stresses availability and low cost through large-scale production.
- The selling concept stresses aggressive selling, while the marketing concept starts with customer needs and seeks customer satisfaction.

Step 1: Match each philosophy with its emphasis P, the product concept, matches (ii), because quality, performance and product improvement are its focus. Q, the production concept, matches (iii), because production volume is increased to lower unit cost. R, the selling concept, matches (i), because aggressive selling seeks greater sales volume. S, the marketing concept, matches (iv), because it identifies and satisfies present and prospective customer needs.

Step 2: Compare the complete combinations The required sequence is P–(ii), Q–(iii), R–(i), S–(iv). Only option (A) preserves all four matches. Option (B) confuses the product concept with selling; option (C) associates product with production; option (D) associates product with customer satisfaction. Those combinations therefore fail even before their remaining mismatches are considered.

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: Use four cue words: product–quality; production–cost; selling–persuasion; marketing–customer satisfaction.

3. 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 is an off-the-job method that reproduces the actual working environment away from the workplace.
- Trainees use equipment and materials similar to those used in their regular jobs, so learning does not disrupt actual operations.

Step 1: Identify the simulated workplace The decisive clue is that the actual work environment is created in a classroom and employees practise using the same materials, files and equipment required for daily work. Such a simulated working arrangement is vestibule training.

Step 2: Eliminate the other methods Internship training combines classroom study with practical work through cooperation between educational institutions and business organisations. Induction introduces a new employee to the organisation and job. Apprenticeship places a trainee under the guidance of a skilled worker to learn a trade. None of these is defined by recreating the workplace in a separate classroom.

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

Quick Tip to Solve: A duplicate workplace set up away from actual operations is the key clue for vestibule training.

4. 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 measures actual performance, compares it with planned standards and takes corrective action where required.
- It checks progress towards organisational objectives and helps keep activities on the intended

course.

Step 1: Recognise the feedback function The expressions "measures the progress of objectives and "keep it on the right track describe checking actual results against the intended results. Controlling performs this task by detecting deviations and enabling managers to correct them so that organisational goals can be achieved.

Step 2: Distinguish the other management functions Planning decides objectives and the course of action in advance. Staffing obtains and develops suitable people for jobs. Directing guides, motivates and leads employees while they work. These functions contribute to performance, but the specific function that measures progress and corrects deviations is controlling.

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

Quick Tip to Solve: Link measuring results, comparing progress and correcting deviations with controlling.

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5. 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 organisational results.
- Orderliness, employee satisfaction, willing effort and achievement of targets provide evidence of effective management.

Step 1: Use the evidence from the case The Junior Headmaster's teachers perform duties willingly, achieve their objectives and remain happy and satisfied. Neeraj "can feel how nicely the Junior Headmaster was managing his classes. The case therefore identifies management through its effects rather than through any physical form.

Step 2: Select the characteristic rather than a related idea Goal orientation concerns directing effort towards objectives, but the emphasis here is on feeling the presence of good management through

satisfaction and results. A dynamic function adapts to environmental change, which the case does not describe. A continuous process refers to ongoing interrelated functions. The contrast between the two groups instead reveals management as an intangible force.

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

Quick Tip to Solve: When management is felt through employee morale and results, select the intangible-force characteristic.

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6. 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 contributes to society by supplying useful goods and services, generating employment and using resources responsibly.
- The importance of management extends beyond the organisation and its employees to economic and social development.

Step 1: Identify the beneficiaries of the activities The statement mentions good-quality products and services, employment opportunities and new technology "for the greater good of the people. These benefits reach consumers, workers and the community. The reference to growth and development reinforces this broad social contribution.

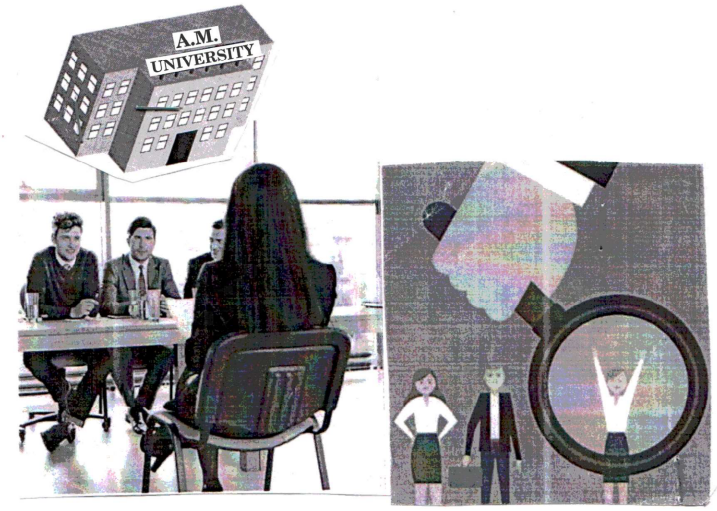
Step 2: Separate the other points of importance Achieving group goals concerns common organisational objectives. Creating a dynamic organisation means adapting to environmental change and helping people accept it. Achieving personal objectives concerns employees' individual needs, such as income and career development. Although these can accompany effective management, the combined social benefits in the question specifically highlight the development of society.

Step 3: Conclusion The statement highlights that management helps in the development of society. Hence, the correct option is (C).

Quick Tip to Solve: Benefits such as employment, useful products and improved technology for people point to development of society.

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7. 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:

- Campus recruitment is an external source in which organisations recruit candidates from educational institutions.
- Universities, colleges and professional or technical institutes provide access to prospective employees entering employment.

Step 1: Interpret the setting in the picture The illustration shows a university, an interview panel and a candidate being assessed. The educational-institution setting is the deciding clue: an employer is selecting potential employees from a campus. This represents campus recruitment.

Step 2: Distinguish the other external sources Recommendation of employees means existing employees suggest candidates known to them; no such referral is indicated. Labour contractors supply workers through intermediaries, generally for labour requirements. Employment exchanges maintain records of job seekers and link them with vacancies. The prominent university and interview setting instead identify direct recruitment through an educational institution.

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

Quick Tip to Solve: Look first at the recruitment setting: a university or college linked to interviews indicates campus recruitment.

8. 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:

- The selection process identifies the most suitable applicant through successive screening and evaluation stages.
- A job offer communicates selection to the candidate. The contract of employment records the agreed terms after the offer is accepted.

Step 1: Locate the job offer in the sequence Medical examination follows the selection decision and precedes the job offer. After making the offer, the organisation finalises the employment terms with the selected candidate, including duties, remuneration and conditions of service.

Step 2: Eliminate the earlier stages The employment interview is an assessment stage before the selection decision. The selection decision and medical examination therefore occur before, rather than after, the job offer. The remaining stage is the contract of employment.

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

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

9. 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 concerns the proportion of funds raised through debt and equity.
- Its factors include cost, risk, cash flow position, control considerations and the state of the capital market. Growth opportunities are a factor in the dividend decision.

Step 1: Identify direct financing considerations Cost affects the expense of raising funds. Risk matters because debt brings fixed interest obligations. Cash flow position determines the ability to meet those obligations, so options (A), (B) and (C) are factors affecting the financing decision.

Step 2: Classify growth opportunities A company with growth opportunities may retain more earnings to finance future projects and distribute a smaller dividend. In the NCERT classification, growth opportunities are listed under the dividend decision, rather than among the stated financing-decision factors.

Step 3: Conclusion Growth opportunities is the option not listed as a factor affecting the financing decision. Hence, the correct option is (D).

Quick Tip to Solve: For decision-factor MCQs, first distinguish investment, financing and dividend decisions; growth opportunities commonly points to retaining earnings.

10. '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.
- Needs and wants, creation of value and exchange are central features of marketing; branding and packaging are individual marketing functions.

Step 1: Recognise the definition The statement combines satisfaction of needs and wants with creating offerings and exchanging products and services of value. Together, these describe the broad concept of marketing, rather than one isolated product activity.

Step 2: Distinguish the other terms Marketing mix is the combination of product, price, place and promotion decisions. Branding gives a product a distinguishing identity, while packaging designs and produces its container or wrapper. None of these narrower terms describes the entire social process quoted.

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

Quick Tip to Solve: When a definition joins needs and wants, value creation and voluntary exchange, identify the broad marketing concept.

11. 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 in the securities market.
- Levying fees or other charges for carrying out the purposes of the Act is classified as a regulatory function, not a protective function.

Step 1: Check the classification in option (A) Protective functions safeguard investors through measures such as prohibiting fraudulent and unfair trade practices and controlling insider trading. Levying fees or other charges belongs to SEBI's regulatory functions, so the classification in option (A) is incorrect.

Step 2: Verify the remaining statements Training securities-market intermediaries is a developmental function, making (B) correct. Registering collective investment schemes and mutual funds is regulatory, making (C) correct. Protecting investors, especially individual investors, and guiding and educating them is consistent with SEBI's objectives, making (D) correct.

Step 3: Conclusion Option (A) incorrectly calls levying fees a protective function. Hence, the correct option is (A).

Quick Tip to Solve: Classify SEBI actions by purpose: protection prevents abuse, development improves the market, and regulation sets and administers its rules.

12. 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 the purchase and sale of existing securities.
- Liquidity means the ability to convert a security into money; marketability means the availability of a market in which it can be sold.

Step 1: Connect continuous trading with liquidity An investor can sell existing securities on the stock exchange when funds are needed. The availability of buyers and sellers provides ready marketability and permits investment to be converted into money, without requiring the issuing company to repay its capital.

Step 2: Separate the other functions Safety of transactions concerns regulated dealings and protection in trading. Pricing of securities concerns prices determined by demand and supply. Contribution to economic growth concerns investment and capital formation. The particular phrase continuous market directly identifies liquidity and marketability.

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

Quick Tip to Solve: Look for the phrase continuous market or ready sale of existing securities: it signals liquidity and marketability.

13. 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 capable of communication and delivery and free to accept or reject the offer.

Step 1: Evaluate Statement I A buyer and a seller are the two parties to an exchange. One offers money or another item of value, while the other offers a product or service. Thus the requirement of at least two parties is correct, and Statement I is true.

Step 2: Evaluate Statement II The parties must be able to communicate what they offer and the terms on which they will exchange it. Communication need not be face-to-face, but its complete absence prevents agreement on an exchange. Statement II denies this necessary condition and is false.

Step 3: Match the truth values with the options Statement I is correct and Statement II is incorrect. This excludes (A), which treats both as correct; (B), which treats both as incorrect; and (D), which reverses their truth values.

Step 4: Conclusion Statement I is correct and Statement II is incorrect. Hence, the correct option is (C).

Quick Tip to Solve: For exchange-condition statements, check for two parties, value, communication and delivery, freedom to reject, and willingness to deal.

14. 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 in advance the objectives and the course of action to achieve them.
- Planning leads to rigidity when predetermined plans restrict managerial initiative and make departures from the prescribed course difficult.

Step 1: Identify the constraint described The managers have to follow predetermined plans and are not in a position to change them. The emphasis is on inflexibility in action: an established plan becomes a constraint even where a manager wishes to respond differently. This is the limitation called rigidity.

Step 2: Rule out the other limitations Failure in a dynamic environment concerns unforeseen external changes. Lack of guaranteed success means a plan alone cannot ensure achievement. Time consumption refers to the effort and time needed to prepare plans. None describes the specific inability to depart from an existing plan as directly as rigidity does.

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

Quick Tip to Solve: When the clue is compulsory adherence to a predetermined course or reduced freedom to change it, choose rigidity.

15. 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 translates a plan into work assignments and relationships so that people can work together effectively.
- The organising process includes identification and division of work, departmentalisation, assignment of duties, and establishing authority and reporting relationships.

Step 1: Match the completed steps to the case The case says the RWA 'listed all the activities to be done, grouped them as per their nature and assigned the activities/duties'. Listing identifies and divides the work; grouping by nature is departmentalisation; assigning the activities/duties is assignment of duties. These three organising steps were therefore already completed.

Step 2: Identify the missing relationships The missing step is establishing authority and reporting relationships: deciding who reports to whom and who has authority to direct the work. Mere allocation leaves people uncertain about supervision, coordination and accountability. Options (A), (C) and (D) describe steps already explicitly performed; option (B) supplies the missing link.

Step 3: Conclusion Establishing authority and reporting relationships was missing from the organising process. Hence, the correct option is (B).

Quick Tip to Solve: Cross off each organising step already described in a case; allocation of work must be followed by clear reporting relationships.

16. 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:

- Environmental awareness enables a business to identify opportunities: positive external changes that can improve its position.
- A first mover advantage arises when an enterprise recognises an opportunity and acts on it before competitors.

Step 1: Locate the opportunity in the environment Hitesh and Reena noticed worsening air quality and greater concern for quality of life. These changes created a need for an anti-pollution mask. Their awareness therefore revealed a business opportunity: an unmet customer need that their product could address.

Step 2: Connect early action with the advantage The decisive clues are that they were 'the first to bring into the market' the mask and that 'there was no competitor'. Acting before others allowed them to obtain the first mover advantage. Option (A) stresses threats rather than the opportunity exploited here; (B) concerns obtaining inputs, which the case does not describe. Improved performance in (C) is a broad benefit, while (D) precisely identifies the opportunity and early entry.

Step 3: Conclusion The case highlights identification of opportunities and obtaining the first mover advantage. Hence, the correct option is (D).

Quick Tip to Solve: When a case combines an unmet need with entry before competitors, choose opportunity identification and first mover advantage.

17. 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:

- The social environment includes social trends, values, attitudes, beliefs and lifestyles that influence business demand.
- Growing concern for health, fitness and environmental protection changes consumer preferences and therefore creates opportunities for suitable products.

Step 1: Find the change in consumer attitudes The passage states that the 'health and fitness trend is becoming popular'. Consumers are avoiding plastic utensils because of health and environmental concerns and are choosing paper-made, steel or glass utensils. This is a change in preferences and lifestyle.

Step 2: Distinguish the environmental dimension Such attitudes and trends form the social environment. Economic environment in (A) would concern factors such as income, inflation or interest rates; the low price of plastic is background, not the highlighted change. Technological environment in (C) concerns innovation or production methods, and political environment in (D) concerns government attitudes and political conditions. Neither is the cause described here.

Step 3: Conclusion The growing health and fitness trend represents the social environment. Hence, the correct option is (B).

Quick Tip to Solve: Identify what drives the change: consumer values and lifestyle point to the social environment, even when demand is affected.

18. '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 helps ensure that activities conform to plans by measuring actual performance, comparing it with standards and taking corrective action.
- Actual performance can be measured quantitatively through indicators such as output and the number of defective units.

Step 1: Identify the activity being performed The printed case describes 'counting the number of pieces produced and number of defective pieces in a batch'. These counts measure actual production output and defects, so they constitute measurement of actual performance, an important step in controlling. They provide information with which production efficiency can be assessed.

Step 2: Eliminate the other management functions Directing in (A) involves guiding, motivating and leading employees, rather than counting output and defects. Organising in (C) establishes duties and authority relationships. Planning in (D) decides objectives and courses of action in advance. The case instead describes checking operational results, so controlling in (B) is the appropriate function; it does not need to describe every controlling step to identify the function.

Step 3: Conclusion Ghanshyam is performing the controlling function by measuring actual production performance. Hence, the correct option is (B).

Quick Tip to Solve: Counting actual output, defects or other achieved results is a strong clue to measurement of performance under controlling.

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 uses short-term incentives to encourage immediate purchase of a product or service.
- It supplements advertising and personal selling through offers such as rebates, discounts, samples or contests.

Step 1: Recall the defining time horizon Sales promotion stimulates a prompt buying response by offering a temporary extra benefit. Thus option (A), which describes short-term incentives encouraging immediate purchase, is correct. The objective is an immediate boost in purchase, rather than incentives defined as long-term.

Step 2: Select the incorrect statement Option (C) says sales promotion includes only activities providing long-term incentives. This contradicts its short-term character and is therefore the incorrect statement asked for. Option (B) correctly distinguishes these promotional efforts from advertising, personal selling and public relations. Option (D) correctly states that sales promotion supplements other promotional efforts, especially advertising and personal selling.

Step 3: Conclusion The statement about only long-term incentives is incorrect because sales promotion uses short-term incentives. Hence, the correct option is (C).

Quick Tip to Solve: Underline the word incorrect, then test each statement against the defining phrase short-term incentives for immediate purchase.

20. '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 financial obligations, including interest and repayment; greater reliance on it increases financial risk.

Step 1: Explain why debt creates financial risk Interest must be paid on debt even when business earnings are low, and principal must be repaid according to the agreed terms. A larger debt commitment therefore increases the danger that the company cannot meet its financial obligations. This is the risk highlighted by the statement.

Step 2: Match the statement with the factor Risk consideration in (B) directly concerns the financial risk added by debt, alongside the business risk arising from operations. Debt service coverage ratio in (A) is a measure of the capacity to service debt, not the factor named by this general statement. Cost of debt in (C) concerns the expense of borrowing, while flexibility in (D) concerns the ability to obtain or adjust funds in future. Neither expresses the stated increase in financial risk.

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

Quick Tip to Solve: Fixed interest and repayment obligations signal financial risk; match a statement about increased debt risk with risk consideration.

21. '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 an organisation.
- Discipline requires good superiors at all levels, clear and fair agreements, and judicious application of penalties. Both workers and management must honour their commitments.

Step 1: Identify the principle from the agreement The principle followed is **Discipline**. The restaurant "entered into an agreement with its workers to put in extra hours without additional payment" and promised higher wages when the business recovered. The workers then "put in extra hours as committed". Their conduct shows obedience to a mutually accepted employment agreement rather than merely following an order under compulsion.

Step 2: Explain how both parties maintained discipline Discipline is necessary for orderly organisational functioning: employees must fulfil agreed duties, and managers must fulfil the obligations they accept. Here the agreement was clear: workers would temporarily work extra hours to help the restaurant recover, and management would increase wages once the mission was accomplished. When profitability returned, the restaurant "honoured its commitment" by increasing wages and also giving a bonus. Thus discipline operated on both sides. The case illustrates a fair agreement being observed by workers and their superiors, which created the cooperation needed to revive the business.

Step 3: Conclusion Yellow Pumpkin followed Fayol's principle of **Discipline**: the workers fulfilled their agreement to work extra hours, and management honoured its promise of higher wages after recovery.

Quick Tip to Solve: When a case stresses an agreement being honoured by both management and workers, identify discipline and link it to obedience to the employment agreement.

22. 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:

- Top management consists of the organisation's senior executives. They are responsible for its overall direction and for the welfare and survival of the organisation.
- Top managers analyse the business environment, formulate overall organisational goals and strategies, and make plans and policies that guide the organisation as a whole.

Step 1: Identify Aman's level using the case **(a) Aman joined at the top level of management.** He is responsible for "integrating diverse elements and coordinating all the activities of the business" and for the business's "impact on society". These are organisation-wide responsibilities of top management. The description of his job as complex and stressful also agrees with this level. His MBA qualification alone does not determine his level; the scope of his responsibility does.

Step 2: State two other functions at this level **(b) Two functions, other than those already described, are:**

- **Analyse the business environment and its implications:** Aman must assess economic, social, technological, political and legal developments, identify opportunities and threats, and consider how they affect Zeyovya Ltd.'s future operations.
- **Formulate overall organisational goals and strategies:** Aman must help decide the results the company seeks and the broad courses of action needed to achieve them. These organisation-wide decisions provide direction to departmental managers and guide their plans.

These functions concern the whole company, whereas supervising workers or implementing departmental plans would belong to lower levels of management.

Step 3: Conclusion Aman belongs to **top management**. Two other functions he performs are analysing the business environment and formulating the company's overall goals and strategies.

Quick Tip to Solve: Use organisation-wide responsibility to identify top management. When asked for other functions, avoid repeating coordination and social impact already given in the case.

23(a). Explain any two points that highlight the importance 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.
- Planning and organising establish what should be done and who should do it. Directing activates employees and helps them contribute effectively to common organisational goals.

Step 1: Explain how directing initiates action **Initiates action:** Directing helps employees begin work towards the desired objectives. Plans, an organisational structure and the appointment of employees do not by themselves ensure that work actually starts. Managers issue instructions, explain duties, provide guidance and motivate subordinates so that they carry out their responsibilities. For example, after assigning production tasks, a supervisor explains the method and guides employees to start the work. Directing therefore converts plans into purposeful action at every level of management.

Step 2: Explain how directing integrates employee efforts **Integrates employees' efforts:** Individuals perform different activities, and their efforts must support one another to achieve the organisation's goals. Through guidance, leadership and communication, directing helps each employee understand how their work fits into the common objective. Managers clarify expectations and encourage cooperation so that individual contributions are coordinated rather than made in isolation. For example, directing the production and sales teams towards the same delivery commitment helps their separate activities contribute to a common result. This makes collective performance more effective than disconnected individual effort.

Step 3: Conclusion Directing is important because it **initiates action** by activating employees and **integrates their efforts** so that their activities contribute to shared organisational objectives.

Quick Tip to Solve: For each point of importance, state the textbook heading and then explain its effect: initiating action starts work; integrating efforts brings separate contributions together.

OR

23(b). Explain 'Leadership' and 'Communication' as elements of Directing function of management.

[3 marks]

Solution:

Concept:

- Directing means instructing, guiding, counselling, motivating and leading people in an organisation to achieve its objectives.
- Leadership influences employees' behaviour, while communication creates the common understanding necessary for coordinated action.

Step 1: Explain leadership **Leadership:** Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards the achievement of organisational goals. A leader

guides employees, inspires confidence and encourages them to contribute willingly rather than merely complying with orders. For example, a manager who motivates a team to accept a challenging target and helps it overcome difficulties is exercising leadership. Thus, leadership gives direction to employees' efforts and secures their cooperation in carrying out plans.

Step 2: Explain communication **Communication:** Communication is the process of exchange of ideas, views, facts and feelings between two or more persons to create common understanding. In directing, the manager communicates instructions, explains duties and clarifies what employees are expected to achieve. Employees can also communicate suggestions, progress and difficulties to the manager. The receiver must understand the message in the sense intended by its sender; merely transmitting words does not ensure effective communication. This shared understanding helps employees perform their work properly and coordinates their efforts.

Step 3: Conclusion Leadership directs people through influence and willing cooperation. Communication directs them through the exchange and understanding of information. Together, these elements help turn managerial plans into purposeful employee action.

Quick Tip to Solve: Link leadership with voluntary influence and communication with common understanding; these phrases distinguish the two elements clearly.

24(a). Give the meaning of 'financial planning'. State any two objectives of financial planning.

[3 marks]

Solution:

Concept:

- Financial planning is the preparation of a financial blueprint for the future operations of a business, including an estimate of its fund requirements and the sources of those funds.
- Its main concern is to ensure the availability of the right amount of funds at the right time without raising unnecessary finance.

Step 1: Define financial planning **Meaning:** Financial planning is the process of estimating the fund requirements of a business and specifying the sources of funds. It assesses how much finance will be needed for investment and day-to-day operations, when it will be needed and how it will be obtained. It therefore provides a financial blueprint for future business operations rather than leaving financing decisions to emergencies.

Step 2: State the availability objective **Ensure availability of funds whenever required:** Financial planning estimates the amounts needed for long-term investment and working capital and identifies the appropriate sources of finance. By matching the timing of fund availability with the timing of expenditure, it helps avoid shortages that could interrupt production, delay investment or prevent the business from meeting its obligations.

Step 3: State the objective of avoiding unnecessary finance **Avoid raising funds unnecessarily:** Financial planning seeks to prevent excess funding as well as shortages. Funds raised beyond the business's requirements may remain idle, while interest or other financing costs still have to be borne. Planning balances the cost of a shortage against the cost of excess funds so that the amount raised is

suited to the business's actual needs.

Step 4: Conclusion Financial planning estimates the business's financing needs and identifies their sources. Its two principal objectives are timely availability of adequate funds and avoidance of unnecessary fund raising.

Quick Tip to Solve: Remember the two objectives as avoiding a shortage of funds and avoiding an excess of funds; explain why each matters to business operations.

OR

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

(i) Business Cycle

(ii) Growth Prospects

(iii) Nature of Business [3 marks]

Solution:

Concept:

- Working capital finances current assets such as inventories, debtors and cash needed for the day-to-day operations of a business.
- The volume and character of business operations determine how much money remains tied up in these current assets.

Step 1: Relate the business cycle to working capital **Business cycle:** During a boom, business activity, production and sales generally expand. A company needs more raw materials, a larger stock of goods and additional funds to finance credit sales. Its working capital requirement therefore increases. During a depression, demand and activity decline, so inventories and the funds needed for ordinary operations generally decrease; the requirement is correspondingly lower.

Step 2: Relate growth prospects to working capital **Growth prospects:** A company with higher growth prospects normally requires more working capital. Expansion in production and sales calls for additional inventories, debtors and cash to support the larger scale of operations. A company anticipating little growth would generally need less additional working capital than an otherwise comparable rapidly expanding company.

Step 3: Relate the nature of business to working capital **Nature of business:** A trading concern generally requires less working capital than a manufacturing concern because it purchases finished goods for resale and has no manufacturing process. A manufacturing concern must finance raw materials, work-in-progress and finished goods during its production cycle. Service businesses generally require comparatively little inventory and therefore have lower working capital needs. Thus, the nature and length of the operating process influence the funds tied up in current assets.

Step 4: Conclusion Working capital generally rises in a boom and with stronger growth prospects. Manufacturing activities usually require more working capital than trading or service activities because funds remain invested in successive stages of production.

Quick Tip to Solve: For each factor, state the direction of change and connect it to inventory, debtors or the operating cycle instead of merely naming the factor.

25(a). Identify and explain the following as steps in the process of 'Staffing' :

(i) Evaluating an employee's current and/or past performance against certain predetermined standards.

(ii) Placing an employee in a position of increased responsibility usually with more pay and job satisfaction. [4 marks]

Solution:

Concept:

- Staffing involves obtaining, developing and retaining suitable people for the jobs in an organisation. It continues after an employee is appointed.
- Performance appraisal measures an employee's work against established standards, whereas promotion moves the employee to a higher position with greater responsibility.

Step 1: Identify and explain performance appraisal **(i) Performance appraisal:** The words 'evaluating an employee's current and/or past performance against certain predetermined standards' identify this step. Management first establishes the standards expected from the employee's job and then assesses actual performance against them. The comparison indicates how satisfactorily the employee has discharged the assigned duties.

Appraisal includes defining the job, assessing performance and providing feedback. Feedback helps the employee understand strengths and areas requiring improvement. The assessment can also reveal training and development needs and provide a basis for decisions concerning future responsibilities. Thus, appraisal is a systematic assessment of work, rather than merely a supervisor's general impression of an employee.

Step 2: Identify and explain promotion and career planning **(ii) Promotion and career planning:** In particular, the statement describes a **promotion**: placing an employee in a position of increased responsibility, usually with more pay and job satisfaction. A promotion moves the employee upward in the organisational hierarchy. The employee receives higher status and authority along with the additional duties of the higher position.

Under promotion and career planning, management provides opportunities for career advancement and establishes paths through which employees may progress. Promotion recognises an employee's ability and contribution and can motivate the employee to continue improving. It differs from a transfer, which normally moves a person between jobs without a substantial increase in responsibility or status.

Step 3: Conclusion The steps are **(i) performance appraisal** and **(ii) promotion and career planning**, with the second description specifically referring to promotion.

Quick Tip to Solve: Match 'performance against standards' with appraisal; match 'increased responsibility and more pay' with promotion, rather than transfer.

OR

25(b). Identify and explain the two sources of recruitment which reduce the induction of fresh talent in the organisation and cannot be used to fill all the vacancies. [4 marks]

Solution:

Concept:

- Internal recruitment fills vacancies by using people already employed in the organisation. Its two principal sources are transfers and promotions.
- Because internal recruitment draws from the existing workforce, it restricts the entry of fresh talent and cannot satisfy every staffing requirement, especially where suitable employees are unavailable internally.

Step 1: Identify and explain transfers **Transfers:** A transfer involves shifting an employee from one job to another, from one department to another, or from one shift to another, without a substantive change in responsibilities and status. It is a horizontal movement within the organisation rather than advancement to a higher position. Salary ordinarily remains substantially unchanged.

Transfers can fill a vacancy by moving an existing employee who is suited to that work. They can also help correct an imbalance in staffing: an employee may move from a department with surplus staff to one with a shortage. Since the person is already employed by the organisation, this source does not bring in a new person with fresh ideas from outside. A transfer also creates a vacancy at the employee's former position, so it cannot by itself meet every need for additional manpower.

Step 2: Identify and explain promotions **Promotions:** A promotion shifts an employee to a higher position carrying greater responsibilities, higher status and usually higher pay. It is a vertical movement upward in the organisational hierarchy. An organisation can therefore fill a senior vacancy by advancing a suitable existing employee instead of recruiting an outsider.

Promotion gives employees opportunities for growth and can encourage loyalty and better performance. However, it limits the choice of candidates to the existing workforce. It may leave a vacancy at the lower level from which the employee has been promoted. Moreover, suitable candidates may not be available internally for specialised or entry-level jobs. Consequently, promotions cannot fill all vacancies and do not introduce fresh outside talent.

Step 3: Conclusion The two sources are **transfers** and **promotions**. Both are internal sources of recruitment, explaining the clues about reduced induction of fresh talent and inability to fill every vacancy.

Quick Tip to Solve: When a question combines 'no fresh talent' with 'not all vacancies', identify internal recruitment and then explain its two sources: transfer and promotion.

26(a). State any four financial incentives. [4 marks]

Solution:

Concept:

- Motivation means stimulating people to act towards the achievement of organisational objectives. An incentive is a reward used to encourage the desired work behaviour.
- Financial incentives are rewards that can be measured in money. They may be provided directly as cash payments or indirectly as benefits having a monetary value.

Step 1: State direct monetary incentives

- **Pay and allowances:** Salary, dearness allowance and other allowances constitute a basic financial incentive. Regular increments and an appropriate salary structure help motivate employees because better remuneration improves their purchasing power and material standard of living.
- **Productivity-linked wage incentives:** Under such schemes, wages or additional payments are linked to productivity. An employee who produces more, or a group that achieves a higher level of output, earns a greater monetary reward. Thus, extra effort and improved performance are connected with higher earnings.

Step 2: State additional rewards linked to work and results

- **Bonus:** Bonus is an incentive offered over and above the wages or salary paid to an employee. It provides an additional financial reward and encourages employees to contribute to the organisation's performance.
- **Profit sharing:** Under profit sharing, employees receive a share of the organisation's profits. The prospect of a higher share motivates them to improve performance, raise productivity and help the organisation earn more profit.

Step 3: Conclusion Four financial incentives are **pay and allowances, productivity-linked wage incentives, bonus, and profit sharing**. Each gives employees a reward that can be expressed in monetary terms.

Quick Tip to Solve: For financial incentives, name rewards measurable in money. Keep bonus, an extra payment above salary, distinct from profit sharing, which gives employees a share of profits.

OR

26(b). State the four needs in Maslow's Need Hierarchy after 'Basic Physiological Needs'. [4 marks]

Solution:

Concept:

- Maslow's Need Hierarchy Theory arranges human needs in a hierarchy, beginning with basic physiological needs and moving towards higher-order needs.
- A reasonably satisfied need generally ceases to be the principal motivator, and the next higher need becomes important. The four levels above basic physiological needs must therefore be stated in their ascending order.

Step 1: State the next two levels of needs

- **Safety or security needs:** These refer to protection from physical and emotional harm, stability and security of income. In employment, job security, a stable income and protection through pension or similar arrangements help satisfy these needs. This level follows the needs for food, clothing and shelter.
- **Affiliation or belongingness needs:** These refer to the need for affection, acceptance, friendship and companionship. A person wants to belong to a group and enjoy friendly relationships with others. At work, acceptance by colleagues and opportunities for social interaction help fulfil these needs.

Step 2: State the two highest levels of needs

- **Esteem needs:** These include self-respect, autonomy, status, recognition and attention. An employee seeks respect for achievements and competence, along with recognition from others. Responsibility and appreciation of good performance can help satisfy this level.
- **Self-actualisation needs:** This is the highest level in the hierarchy. It refers to the desire to become what one is capable of becoming, by realising one's full potential. Opportunities for personal growth, self-fulfilment and challenging work help an individual pursue these needs.

Step 3: Conclusion After basic physiological needs, the four needs in ascending order are **safety or security needs, affiliation or belongingness needs, esteem needs, and self-actualisation needs**.

Quick Tip to Solve: Remember the upward sequence as security, belonging, respect and full potential. Do not count physiological needs again when the question asks for the four levels after them.

27. '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 primary market deals in new securities issued by companies to mobilise funds from investors. It is also called the new issues market.
- The secondary market deals in the purchase and sale of existing securities among investors. A stock exchange provides an organised platform for this trading.

Step 1: Identify the market for the existing shares **(a) Secondary market:** Hitesh Ltd.'s existing

securities are being traded in the secondary market. The clue is that the company is already "listed with a reputed stock exchange". Investors can buy and sell the shares already issued by the company on this market. Their market price may rise as demand for the shares increases, but this resale does not itself provide fresh capital to Hitesh Ltd.

Step 2: Identify the market for the new public issue **(b) Primary market:** The proposed public issue to raise Rs 200 crore for the car manufacturing business takes place in the primary market. Here Hitesh Ltd. will issue new securities and collect funds from subscribers. The deciding words are "raise this capital by a public issue"; the company's existing listing does not turn a new issue into a secondary-market transaction.

Step 3: Distinguish the two markets on two bases **(c) Differences:**

Basis	Secondary market	Primary market
Nature of securities	Existing securities are bought and sold.	New securities are issued for the first time to investors.
Effect on capital	Trading transfers securities between investors; the sale proceeds go to the selling investor and do not directly add to the company's capital.	Funds flow from investors to the issuing company, adding to the funds available for its business.

Step 4: Conclusion Hitesh Ltd.'s existing shares trade in the secondary market, while its new public issue belongs to the primary market. The former transfers existing investments; the latter mobilises fresh funds for the company.

Quick Tip to Solve: Ask who receives the money: a company issuing new securities points to the primary market; an investor selling existing securities points to the secondary market.

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

(a) Instruments

(b) Liquidity

(c) Safety [4 marks]

Solution:

Concept:

- Financial markets channel funds from savers to users. The money market meets short-term financial requirements, whereas the capital market supplies medium- and long-term finance.
- Liquidity means the ease with which an investment can be converted into cash. Safety refers to the risk of losing the invested amount or failing to receive the promised payment.

Step 1: Define the money market The **money market** is the market for short-term funds dealing in monetary assets whose period of maturity is up to one year. These assets are close substitutes for money because they are highly liquid and can generally be converted into cash at short notice. The market helps organisations meet temporary shortages of funds and invest temporary surpluses, rather than finance long-term projects through ownership capital.

Step 2: Compare the specified characteristics

Basis	Money market	Capital market
(a) Instruments	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are its principal instruments.	Equity shares, preference shares, debentures and bonds are its principal instruments.
(b) Liquidity	Instruments are highly liquid because of their short maturity and established arrangements for their conversion into cash.	Securities are relatively less liquid. Although many can be sold on a stock exchange, finding a buyer at a suitable price can take time.
(c) Safety	Instruments are comparatively safer: short durations and the generally sound financial position of issuers reduce risk.	Investment is comparatively riskier because returns and prices are exposed to longer-term business and market fluctuations.

Step 3: Interpret liquidity and safety comparatively These are relative differences. A listed share is marketable, but its selling price can fluctuate substantially. Similarly, calling money-market instruments safer does not mean that every such instrument is entirely risk-free. Short maturity and the quality of major issuers explain their generally greater safety.

Step 4: Conclusion The money market deals in short-term monetary assets maturing within one year. Compared with the capital market, it uses short-term instruments that generally offer greater liquidity and safety.

Quick Tip to Solve: Keep the three requested bases separate: name instruments first, compare ease of conversion into cash next, and compare investment risk last.

29. '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 Management: promotion communicates a product's availability and benefits to prospective buyers and persuades them to purchase it.
- Customer support services improve customer satisfaction after and around the sale. Satisfied customers are more likely to buy again and recommend the product.

Step 1: Identify and explain promotion **Promotion:** This function informs customers about the firm's products and persuades them to buy. It includes deciding the promotion budget and choosing an appropriate combination of advertising, personal selling, sales promotion and public relations. Merely designing a smart-watch and making it available does not ensure that prospective buyers know its benefits. The case says that even after the listed activities the company is not "picking up the sales". Promotion is missing from that list. Smart Watch Ltd. needs to communicate the children's watch's features and benefits to its prospective customers so that awareness can lead to purchase.

Step 2: Identify and explain customer support services **Customer support services:** These include after-sales services, handling customer complaints and adjustments, maintenance services, technical services and consumer information. They help the buyer obtain satisfactory use from the product and remove difficulties associated with its purchase or use. Such support increases customer satisfaction and helps build brand loyalty. The reference to "getting repeat sales" points particularly to this function: a customer who receives dependable assistance is more likely to choose the company's product again. Customer support services are also absent from the activities already performed by the marketing team.

Step 3: Conclusion The two neglected marketing functions are **promotion** and **customer support services**. Promotion helps generate awareness and initial sales, while dependable customer support strengthens satisfaction, loyalty and repeat purchases.

Quick Tip to Solve: When a case lists almost all marketing functions, identify the omissions: awareness and persuasion suggest promotion; satisfaction and repeat buying suggest customer support.

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30. 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:

- Directing: non-financial incentives satisfy employees' psychological, social and emotional needs rather than rewarding them primarily through money.
- Job security gives employees stability regarding their future income and work. It reduces anxiety and can encourage greater commitment to the organisation.

Step 1: Identify the incentive in the case **Job security:** This is the incentive used by Alen Pvt. Ltd. The decisive words are "stability about future income and work so that they do not feel worried on these aspects". The company is reducing employees' fear of losing their employment. Security and stability help employees concentrate on their work instead of continually worrying about their future. The statement that they are working "with greater zeal" shows the motivational effect. Job security belongs to the category of **non-financial incentives**; the assurance is about continued employment, rather than an immediate increase in wages or a cash bonus.

Step 2: State three other non-financial incentives **Status:** An employee's rank, authority, responsibility and recognition in the organisation satisfy esteem needs. A respected position can therefore motivate better performance.

Career advancement opportunity: Managers can provide opportunities to improve skills and to be promoted to higher positions. A fair prospect of advancement encourages employees to develop their abilities and perform well.

Employee recognition programmes: Appreciation and acknowledgement of good work satisfy the need for recognition. For example, publicly appreciating an employee's contribution or presenting a certificate can reinforce desirable performance. These examples explain the three additional incentives; the case itself specifically identifies job security.

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

Quick Tip to Solve: Link assurance of continued income and work to job security. After identifying its category, name other non-financial incentives rather than cash rewards such as bonus or profit sharing.

31. 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 provides a course of action for achieving organisational objectives. Different plans differ in their scope and in the degree of discretion they give to managers.
- A strategy is a comprehensive plan for accomplishing organisational objectives, framed after considering the business environment. A policy is a general guideline that channels managerial thinking and decision-making.

Step 1: Identify the plan used by Ananta Travel and Tourism **(a) Strategy:** The decisive words are 'a comprehensive plan taking into consideration the business environment'. These identify a strategy.

Ananta is deciding how to achieve its objectives while taking account of the conditions in which its tourism and hospitality business operates. Thus, the plan gives an overall direction to the enterprise rather than merely prescribing a routine activity.

Step 2: Explain the scope of a strategy **Comprehensive course of action:** A strategy integrates the major decisions needed to accomplish organisational objectives. Its three dimensions are determining long-term objectives, adopting a particular course of action, and allocating the resources necessary to achieve those objectives. While preparing it, management considers the external environment, including opportunities and threats, along with the enterprise's own resources and capabilities. It provides a framework for subsequent plans and decisions. No specific strategic decision beyond the comprehensive plan described in the case needs to be assumed.

Step 3: Identify the plan developed by Amit **(b) Policy:** The words 'broad parameters within which the managers may function' identify a policy. Amit provides a general boundary for managers' decisions. The further statement that it gives 'a base for interpreting strategy' confirms this identification: the policy translates the general strategic direction into guidance for managerial action.

Step 4: Explain how a policy guides decisions **General decision-making guideline:** Policies are general statements or understandings that guide thinking and channel efforts towards organisational objectives. They establish the limits within which managers can exercise discretion, so similar situations can be handled consistently without referring every decision to the chief executive. A policy does not prescribe a fixed sequence of steps like a procedure, nor an exact way of doing one activity like a method. It leaves room for judgement within the stated parameters while keeping decisions aligned with the strategy.

Step 5: Conclusion The plan in (a) is a **strategy**, because it is a comprehensive plan based on the business environment. The plan in (b) is a **policy**, because it sets broad limits for managerial decisions and provides guidance for interpreting strategy.

Quick Tip to Solve: Link 'comprehensive plan plus business environment' to strategy, and 'broad parameters plus decision guidance' to policy. A fixed sequence of actions would instead indicate a procedure.

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

(i) Optimum Utilisation of Resources

(ii) Effective Administration

(iii) Development of Personnel [6 marks]

Solution:

Concept:

- Organising identifies and divides the work, groups related activities, assigns duties and establishes reporting relationships so that plans can be implemented effectively.
- Clear allocation of work and authority improves the use of resources, creates an orderly system of administration and gives employees opportunities to develop their abilities.

Step 1: Explain optimum utilisation of resources **(i) Optimum Utilisation of Resources:** Organising

assigns specific jobs to employees according to their knowledge, skills and competence. The right person is placed on the right job, which enables the organisation to make better use of its human resources. As duties are clearly allocated, unnecessary duplication of work is avoided: two people do not unknowingly perform the same task while another important task remains unattended. Proper allocation and coordination of activities also reduce wastage of material, money and other resources. Consequently, available resources are directed towards productive work and are used efficiently instead of being wasted through confusion or overlapping efforts.

Step 2: Explain effective administration **(ii) Effective Administration:** Organising clearly describes the jobs to be performed and the duties associated with each job. It also specifies authority and reporting relationships, so each employee knows what must be done, whom to report to and who can issue instructions. Such clarity prevents confusion about responsibility and enables work to proceed smoothly. Interrelationships among jobs and departments are established, allowing activities to be coordinated towards a common objective. Management can therefore administer operations effectively because the organisation has a definite structure within which decisions, instructions and accountability can operate.

Step 3: Explain development of personnel **(iii) Development of Personnel:** Organising promotes delegation of authority. Managers can entrust routine tasks and the necessary authority to subordinates, reducing their own workload and giving themselves time to explore new methods and innovative ways of performing work. Subordinates gain practical experience by taking decisions and accepting responsibility for assigned tasks. Their initiative, confidence and ability to handle a wider range of situations develop through this experience. It helps them realise their potential and prepares them for greater responsibilities. Thus, organising develops both managerial capacity and the capabilities of employees rather than merely distributing existing work.

Step 4: Conclusion Organising ensures **optimum utilisation of resources** through appropriate assignment and avoidance of duplication, **effective administration** through clear duties and relationships, and **development of personnel** through delegation and opportunities to exercise initiative.

Quick Tip to Solve: For these three headings, connect organising respectively with the right job allocation, clear duties and reporting, and delegation that develops employees' abilities.

OR

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

(i) Motivation of Employees

(ii) Facilitation of Growth

(iii) Basis of Management Hierarchy [6 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out an assigned task. It involves assigning responsibility, granting the necessary authority and creating accountability.

- Delegation enables employees to take decisions within their authority, develops managerial ability and establishes superior-subordinate relationships. The superior remains accountable for the overall results.

Step 1: Explain motivation of employees **(i) Motivation of Employees:** When a superior entrusts an employee with a task and the authority to perform it, the employee feels that the organisation recognises and trusts his or her ability. This develops confidence and self-esteem. The employee gets an opportunity to use initiative, exercise judgement and demonstrate competence instead of merely following detailed orders. Recognition of this kind satisfies psychological needs and encourages better performance. Greater involvement and commitment to work therefore arise from the responsibility and decision-making opportunity provided by delegation.

Step 2: Explain how delegation facilitates growth **(ii) Facilitation of Growth:** Delegation gives subordinates practical experience in handling tasks and making decisions. Employees learn while performing the responsibilities assigned to them and develop the ability to accept greater responsibilities in future. This creates a pool of competent and experienced managers within the enterprise. When the organisation expands, opens new units or undertakes new activities, these trained employees can take charge of them. Thus, delegation supports expansion by ensuring the availability of managerial talent; it also allows existing managers to devote attention to wider responsibilities.

Step 3: Explain the basis of management hierarchy **(iii) Basis of Management Hierarchy:** Delegation establishes the relationship between the superior who assigns a task and the subordinate who accepts responsibility for its performance. The authority given to the subordinate determines the area within which he or she may act and take decisions. Repeated delegation at different levels creates the chain of superior-subordinate relationships in the organisation. It therefore provides the basis for the hierarchy of management, clarifies who reports to whom and indicates the extent and flow of decision-making authority at different levels.

Step 4: Conclusion Delegation motivates employees through trust and recognition, facilitates organisational growth by developing managerial talent, and forms the management hierarchy by defining superior-subordinate relationships and the distribution of authority.

Quick Tip to Solve: Link the three headings to three results: trust motivates people, experience prepares managers for growth, and the flow of delegated authority creates the hierarchy.

33. 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 person who buys goods or hires or avails services for consideration. A purchaser who buys goods for resale or a commercial purpose is ordinarily excluded from the definition of a consumer.
- The right to seek redressal enables consumers to obtain relief against unfair or restrictive trade practices and unscrupulous exploitation. Defective goods can give rise to a claim for appropriate relief.

Step 1: Identify who can exercise the consumer right **(a) Consumers:** The consumers who purchased the defective smart televisions for their own use can exercise their right against **Kartik, the seller, and Vivek Electronics, the manufacturer**. The decisive case detail is that Kartik is "engaged in trading" and buys the televisions from the manufacturer: he purchases them for resale. He is therefore not a consumer in respect of these purchases and cannot invoke this consumer right as a consumer against Vivek Electronics. The manufacturer is supplying the televisions rather than buying them as a consumer in this transaction. BIS certification does not deprive the ultimate consumers of their right to complain when the supplied televisions are defective.

Step 2: Define a consumer under the Act **(b) Definition:** Under the Consumer Protection Act, 2019, a consumer is a person who buys any goods for a consideration which has been paid or promised, or 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, but excludes a person who obtains goods for resale or for a commercial purpose.

A consumer also includes a person who hires or avails any service for consideration on the same payment terms, and a beneficiary of such services other than the person who hires or avails them, when the services are used with that person's approval. A person who avails services for a commercial purpose is excluded. Buying goods and hiring or availing services include transactions through offline or online means, electronic means, teleshopping, direct selling or multi-level marketing. For goods, use exclusively to earn one's livelihood by self-employment is outside the exclusion for a commercial purpose.

Step 3: State the right available for relief **(c) Right to Seek Redressal:** The affected consumers can exercise the right to seek redressal. This gives them the right to seek relief against the defective televisions and the resulting exploitation. Appropriate relief may include removal of the defect,

replacement of the defective goods, refund of the price paid or compensation for loss or injury, as applicable. The complaints about defective sets justify seeking such relief; a quality certification is not a substitute for providing goods free from defects.

Step 4: Conclusion The ultimate consumers can seek relief against Kartik and Vivek Electronics by exercising the **Right to Seek Redressal**. Kartik's purchases for resale do not make him a consumer under the Act in this transaction.

Quick Tip to Solve: First ask why the goods were purchased: buying for personal use can qualify, while buying for resale does not. For a remedy for defective goods, name the Right to Seek Redressal.

34(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. Effectiveness concerns achieving the desired objective, while efficiency concerns using resources with minimum waste.
- Its characteristics describe how the managerial process operates: it directs collective effort towards goals, continues through interrelated functions, and is needed in every kind of organisation.

Step 1: Explain management as a goal-oriented process **(i) Management is a goal-oriented process:** Every organisation is established to achieve specific objectives. These objectives should be simple and clearly stated so that employees understand what their work must accomplish. Management unites the efforts of different individuals and departments and directs them towards these common organisational goals.

For example, in a business seeking to increase sales, production must provide the required goods, marketing must reach customers and finance must arrange funds. Management coordinates these different efforts so that they contribute to the shared sales objective rather than operate as unrelated activities. Goals therefore give direction to managerial decisions and provide a basis for judging performance.

Step 2: Explain management as a continuous process **(ii) Management is a continuous process:** Management consists of a series of continuous, composite but separate functions: planning, organising, staffing, directing and controlling. Managers perform these functions on an ongoing basis; management does not stop when one particular task or plan has been completed.

The functions are interrelated and may be performed simultaneously. For example, while a manager directs the execution of a current plan, the manager also checks results, arranges staff and plans future work. Feedback from controlling can require changes in plans and organisation. Thus, the managerial process repeats and adapts for as long as the organisation operates.

Step 3: Explain management as all pervasive **(iii) Management is all pervasive:** Managerial activities are common to all organisations, whether economic, social or political. They are required in large and small organisations, in profit-seeking businesses and non-profit institutions, and at every level of the organisation.

A factory, school, hospital and charitable institution all need objectives, allocation of work, people to perform it, guidance and review of results. Although the scale of operations and the manner of applying managerial practices differ, the need to coordinate people and resources exists in each. Management is also necessary across functions such as production, marketing, finance and personnel; it is not confined to a single department or only to top executives.

Step 4: Conclusion Management is goal-oriented because it channels collective effort towards organisational objectives, continuous because its interrelated functions operate repeatedly, and all pervasive because every kind, size, level and functional area of an organisation requires it.

Quick Tip to Solve: Link the three characteristics to three questions: what is to be achieved, how long must managing continue, and where is management needed? Answer with goals, continuously, and throughout all organisations.

OR

34(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 managerial decision-making and behaviour. Their nature reflects the varied situations and people with which managers must deal.
- They apply across organisations, can be adapted to circumstances, and primarily seek to influence human behaviour. Their application therefore requires managerial judgement rather than mechanical obedience.

Step 1: Explain universal applicability **(i) Universal applicability:** Principles of management can be applied to all types of organisations, irrespective of their size and nature. They are relevant to business enterprises as well as non-business institutions, and to different managerial levels and functional departments.

For instance, an appropriate division of work and a clear chain of authority are useful both in a manufacturing company and in a school. However, the extent and manner of applying a principle vary with the nature of the organisation, the nature of its business and its scale of operations. Universal applicability therefore means broad relevance, not that an identical arrangement must be imposed everywhere without considering the situation.

Step 2: Explain flexibility **(ii) Flexible:** Management principles are not rigid prescriptions which must be followed absolutely. Managers have sufficient discretion to modify their application according to the needs of a particular situation. Changes in the business environment, the work and the people involved may require a different application of the same principle.

For example, the degree to which decisions are centralised or decentralised can be adjusted to the size of the organisation, the competence of subordinates and the importance of decisions. A manager should use the principle as a guide and choose an appropriate balance. This flexibility makes the principles useful in practice, since organisations do not operate under identical and unchanging conditions.

Step 3: Explain their mainly behavioural nature **(iii) Mainly behavioural:** Principles of management mainly aim at influencing human behaviour. Management works through people, so its principles help managers understand and guide relations between superiors and subordinates and among employees. Principles such as equity, initiative and esprit de corps seek fair treatment, willingness to contribute and team spirit.

Human behaviour is complex and can differ from person to person and from one situation to another. Consequently, managerial principles guide behaviour rather than guarantee an exact mechanical response. Their concern with people does not mean that material resources are ignored: these principles also help managers understand the relationship between human and material resources so that organisational purposes can be achieved effectively.

Step 4: Conclusion Management principles have universal applicability across organisations, flexibility in their practical application and a mainly behavioural focus on influencing people and their relationships at work. Managers apply them with judgement suited to the particular situation.

Quick Tip to Solve: Distinguish relevance from application: principles are universally relevant, their application is flexible, and their main subject is human behaviour. Give a separate explanation of each rather than treating universal as rigid.