CBSE Class 12 Business Studies Question Paper 2023 with Solution PDF-Set 66/4/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

1. '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 is the management function that ensures activities conform to plans and standards. It involves measuring actual performance, comparing it with standards and taking corrective action.
- Efficiency and quality can be measured through output quantities and the number of defective units. These measures supply information needed for control.

Step 1: Identify the activity in the case Ghanshyam measures efficiency by 'counting the number of pieces produced and number of defective pieces in a batch'. He is recording actual production performance, including both quantity and quality. This is an activity in the controlling process.

Step 2: Eliminate the other functions Directing means guiding, motivating and leading employees. Organising means arranging work, resources and authority. Planning means deciding in advance what to do and how to do it. The case focuses on measuring production results, rather than these activities.

Step 3: Conclusion Ghanshyam is performing the controlling function of management. Hence, the correct option is (B).

Quick Tip to Solve: When a case measures output, defects or actual results, identify controlling before considering the other management functions.

2. 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, lifestyles and expectations of people. Changes in these factors influence consumer preferences and product demand.
- An increasing concern for health and fitness is a social trend. Businesses respond by supplying products that suit the changed preferences of consumers.

Step 1: Locate the change in consumer attitudes The decisive clues are that the 'health and fitness trend is becoming popular' and people have 'started opting for paper-made, steel or glass utensils'. Consumers are changing their preferences because of health and environmental concerns.

Step 2: Distinguish the other dimensions Economic environment concerns factors such as income, inflation and interest rates; none is the main trigger here. Technological environment concerns new production methods or inventions. Political environment concerns political conditions and government attitudes. The passage centres on lifestyle and social awareness.

Step 3: Conclusion The passage highlights the social environment of business. Hence, the correct option is (B).

Quick Tip to Solve: Link health consciousness, lifestyles, tastes and consumer attitudes to the social dimension of the business environment.

3. 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:

- An opportunity is a positive external trend or change that can help a business improve its performance. Environmental awareness helps a firm identify and act on such opportunities.
- First mover advantage is the benefit gained by recognising a market need and entering that market before competing businesses.

Step 1: Connect the case to the opportunity Hitesh and Reena noticed pollution and the growing concern for 'quality of life'. They recognised an unmet demand for protection against pollution and introduced the Anti-Pollution W-98 Mask. The environmental change therefore created a business opportunity.

Step 2: Identify the first mover advantage and reject distractors The words 'the first to bring into the market' and 'there was no competitor' establish first mover advantage. Threat identification would focus on warning of adverse conditions, not capturing a new market. Tapping resources concerns obtaining inputs. Improved performance is a broad benefit, but option (D) captures the specific opportunity and early entry described.

Step 3: Conclusion The case shows that business environment enables a firm to identify opportunities and get the first mover advantage. Hence, the correct option is (D).

Quick Tip to Solve: In opportunity questions, pair a newly noticed customer need with clues such as first entry or absence of competitors.

4. 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 lays down a predetermined course of action for achieving objectives. Such plans give direction, but strict adherence may reduce flexibility.
- Planning leads to rigidity when managers must follow predetermined plans and cannot readily change their actions even when an adjustment would be useful.

Step 1: Identify the exact limitation The statement says managers 'have to follow pre-determined plans' and 'are not in a position to change it'. This directly describes rigidity: plans restrict the freedom to adjust the course of action.

Step 2: Distinguish the other limitations Failure in a dynamic environment concerns the effect of changing external conditions on plans. Lack of a guarantee of success concerns uncertainty of outcomes despite planning. Time-consuming planning concerns the time required to formulate plans. The statement instead emphasises inability to change an existing plan.

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

Quick Tip to Solve: Use the words cannot change or must follow a fixed plan as the clearest clues for rigidity.

5. 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:

- Marketing involves exchange, through which parties obtain what they need or want by offering something of value. Exchange requires at least two parties.
- Each party must be able to communicate with the other and deliver what it offers. The parties must also be free to accept or reject the offer.

Step 1: Evaluate Statement I Statement I is correct. Exchange cannot occur with only one party: there must be at least two parties, described here as a buyer and a seller, who can offer and receive something of value.

Step 2: Evaluate Statement II and select the combination Statement II is incorrect because the ability to communicate is a necessary condition for exchange. Buyers and sellers must be able to convey offers, terms and acceptance, whether directly or through an appropriate channel. Therefore the options saying both statements are correct, both are incorrect, or only Statement II is correct do not fit.

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

Quick Tip to Solve: For exchange, check two parties, value to offer, communication and delivery, and freedom to accept or reject.

6. 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:

- The organising process involves identifying and dividing work, grouping related activities, assigning duties, and establishing authority and reporting relationships.
- Authority and reporting relationships clarify who reports to whom and who has the right to issue instructions. They connect individual duties into coordinated organisational action.

Step 1: Match the completed steps to the case The RWA 'listed all the activities', so it identified and divided work. It 'grouped them as per their nature', so it performed departmentalisation. It then 'assigned the activities/duties', so assignment of duties was also completed.

Step 2: Identify what remains missing The case does not show that the RWA established who would supervise whom, who could give instructions, or to whom each person should report. Mere work allocation cannot replace these authority relationships. Thus options (A), (C) and (D) name completed steps, while option (B) names the missing step.

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

Quick Tip to Solve: After identifying, grouping and assigning work, check whether the case specifies who reports to whom.

7. 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 ready and continuous market for the purchase and sale of existing securities. This gives investors liquidity and marketability.
- Liquidity allows an investor to convert a security into cash by selling it. Marketability means that the security can be bought and sold readily in an organised market.

Step 1: Link the continuous market to liquidity The question emphasises a continuous market where securities are bought and sold. Because investors have a place to sell their existing holdings, they can realise cash when needed. New investors can purchase those securities without the issuing company having to return the original investment.

Step 2: Differentiate the other functions Safety of transactions concerns regulated dealings and investor protection. Pricing of securities concerns price determination through demand and supply. Contribution to economic growth concerns the channelisation of savings towards productive investment. These are stock-exchange functions, but the continuous buying and selling facility specifically provides 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: When a stock-exchange question mentions a ready or continuous market, connect it to liquidity and marketability.

8. 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 helps in the development of society by directing organisational effort towards useful goods, services, employment and progress.
- The importance of management can be identified from the beneficiary described: the organisation, its employees or society as a whole.

Step 1: Identify the wider benefit The case refers to 'good quality products and services', 'creating employment opportunities' and technology used for the 'greater good of the people'. These benefits extend beyond one organisation or employee to the community.

Step 2: Distinguish the other points Achieving group goals concerns coordinated organisational objectives. A dynamic organisation adapts to environmental change, while achieving personal objectives concerns individual employee needs. Although these may contribute indirectly, the stated emphasis on growth and development of people identifies the societal contribution.

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

Quick Tip to Solve: When the clues are employment, quality goods and public welfare, identify the development of society.

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 selects the proportion of debt and equity used to obtain funds for the business.

- Factors affecting financing include the cost and risk of sources and the cash flow available to meet fixed financial commitments.

Step 1: Check the financing factors Cost matters because debt and equity have different costs. Risk matters because debt creates compulsory interest and repayment obligations. A strong cash flow position permits greater use of debt by supporting these payments. Thus, options (A), (B) and (C) are factors affecting financing.

Step 2: Locate growth opportunities in financial decisions Growth opportunities are specifically a factor affecting the dividend decision: a company with attractive investment opportunities may retain a larger share of earnings to finance expansion. The question asks which item is not in the stated list of financing-decision factors, so this is the required choice.

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

Quick Tip to Solve: Separate financing factors such as cost, risk and cash flow from dividend factors such as growth opportunities.

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 satisfy needs and wants by creating and freely exchanging offerings of value.
- Marketing includes the wider process of understanding needs and facilitating exchange; particular marketing tools are only parts of that process.

Step 1: Recognise the definition The decisive words are 'need and want', 'freely exchanging' and 'products and services of value'. Together these describe marketing as a social process, rather than a single activity involving a product.

Step 2: Eliminate the narrower alternatives Marketing mix is the combination of product, price, place and promotion used to pursue marketing objectives. Branding gives a product a distinguishing name or identity. Packaging designs and produces its container or wrapper. None of these alone is the entire social process of value creation and exchange described in the question.

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

Quick Tip to Solve: In a definition, needs, wants, value and voluntary exchange together point to marketing.

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 regulatory, developmental and protective functions to promote an orderly securities market and safeguard investors.
- Its protective functions combat unfair practices, while its regulatory functions include registration, supervision and the levy of fees or charges.

Step 1: Test the disputed classification Option (A) places levying fees or other charges under protective functions. This is an incorrect classification: levying fees or charges for carrying out the purposes of the Act is a regulatory function. Protective functions instead include checking insider trading and fraudulent or unfair trade practices.

Step 2: Verify the remaining statements Training securities-market intermediaries develops market capability, so (B) is correct. Registration of collective investment schemes and mutual funds is regulatory, making (C) correct. Protecting investors and guiding and educating them are SEBI objectives, so (D) is also correct. As the question asks for the incorrect statement, only (A) meets the requirement.

Step 3: Conclusion The incorrect statement is the classification of fee levying as a protective function. Hence, the correct option is (A).

Quick Tip to Solve: For SEBI, associate training with development, investor safeguards with protection, and registration or fees with regulation.

12. 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 establishes marketing objectives and specifies the programmes needed to achieve them.
- A marketing plan coordinates activities such as expanding production and promoting products to meet a chosen target.

Step 1: Match the action-programme clue The question explicitly says the function 'specifies the action programmes to achieve these objectives'. Deciding how production and promotion should be increased is the preparation of a marketing plan, so the relevant function is marketing planning.

Step 2: Distinguish supporting functions Gathering and analysing market information supplies knowledge about customers and competitors; it does not itself specify the complete action programme. Product designing and development concerns the features and usefulness of the offering. Pricing determines the amount charged. These activities may inform or form part of a plan, but none names the overall planning function.

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

Quick Tip to Solve: Objectives followed by an action programme are the clearest clues to marketing planning.

13. '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 by a company.
- Risk consideration balances business risk with the additional financial risk arising from fixed debt obligations.

Step 1: Connect debt to financial risk The statement says that 'the use of debt increases the financial

risk'. Interest has to be paid and principal repaid according to contractual terms even when earnings fall. Greater debt therefore increases the possibility that the company cannot meet these fixed commitments.

Step 2: Compare the other factors Debt Service Coverage Ratio measures the capacity to meet debt-service obligations, but the statement does not mention a coverage measure. Cost of debt concerns the borrowing cost, while flexibility concerns the capacity to raise funds later. The explicit reference to an increase in financial risk directly identifies risk consideration.

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

Quick Tip to Solve: A statement about compulsory debt payments or increased financial risk signals risk consideration.

14. 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 goods or services.
- It supplements other promotional efforts and includes tools such as rebates, discounts, coupons and product combinations.

Step 1: Apply the time-horizon test The defining feature is a short-term inducement that encourages a buyer to act promptly. Option (C) instead describes only long-term incentives. This reverses the nature of sales promotion and is therefore the incorrect statement.

Step 2: Check the other descriptions Option (A) correctly links short-term incentives with immediate purchase. Option (B) describes promotional efforts other than advertising, personal selling and public relations, consistent with the scope of sales promotion. Option (D) correctly states that these incentives supplement efforts such as advertising and personal selling. Thus, the remaining statements do not answer the request for an incorrect description.

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

Quick Tip to Solve: For sales promotion, underline short-term incentives and immediate purchase; a long-term-incentive claim is incorrect.

15. 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 in which the actual work environment is reproduced in a classroom or separate training area.
- Trainees practise with the same materials, files and equipment that they will use in their regular jobs.

Step 1: Identify the defining feature The words "actual work environment is created in a classroom describe a simulated workplace. Using the same equipment and materials makes the practice realistic while keeping training separate from normal production. This is the defining feature of vestibule training.

Step 2: Eliminate the other methods Internship training combines an educational institution's course with practical work in an organisation. Induction introduces a newly appointed employee to the organisation, its people and rules. Apprenticeship places a trainee under an experienced worker to learn a skilled occupation over a prescribed period. None is defined by reproducing the work setting in a classroom.

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

Quick Tip to Solve: A replica workplace with the real job equipment points to vestibule training; learning under a master points to apprenticeship.

16. 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 focuses on quality, performance and product features; the production concept focuses on large-scale production and low costs.
- The selling concept uses aggressive selling to increase sales volume, whereas the marketing concept begins with customer needs and satisfaction.

Step 1: Match product and production P, the product concept, matches (ii): product improvement is expected to maximise profit through superior quality, performance and features. Q, the production concept, matches (iii): increasing production volume reduces unit cost and supports greater availability.

Step 2: Match selling and marketing R, the selling concept, matches (i), which explicitly mentions aggressive selling techniques and increased sales volume. S, the marketing concept, matches (iv), which identifies present and prospective buyers' needs and satisfies them effectively. Option (B) confuses product with selling and assigns customer satisfaction to selling. Option (C) confuses product with production and selling with product. Option (D) assigns customer satisfaction to product and product quality to marketing.

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–promotion, marketing–customer satisfaction.

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

(A) Medical examination

(B) Selection decision

(C) Employment interview

(D) Contract of employment

Correct Answer: (D) Contract of employment

Solution:

Concept:

- Selection proceeds through screening, tests, interview, reference checks, selection decision, medical examination, job offer and contract of employment.
- After a candidate accepts the job offer, the employer and employee complete the contract and the necessary appointment documentation.

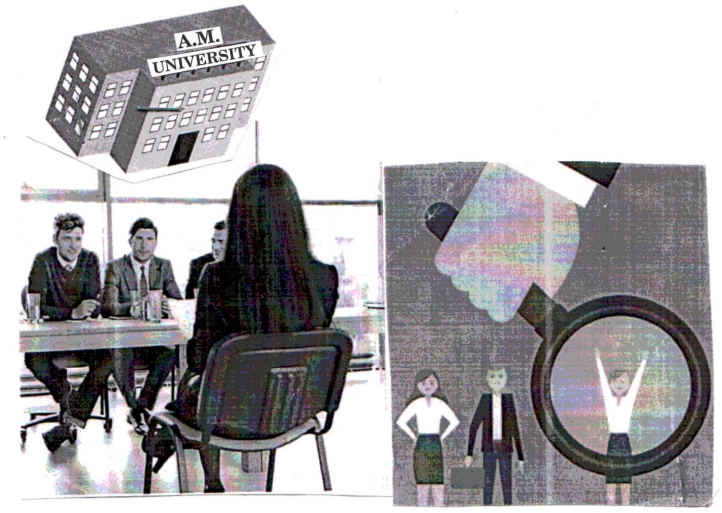
Step 1: Locate the stated step A job offer communicates the offer of appointment to the successful candidate. The question asks for the step immediately after this offer, rather than an earlier assessment of the candidate's suitability. The next stage is the contract of employment.

Step 2: Check the competing options Medical examination takes place before the job offer to establish fitness for the job. The selection decision also precedes the offer because the employer must first decide whom to select. The employment interview is an earlier assessment stage. Thus options (A), (B) and (C) all refer to steps already completed before the stated stage.

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

Quick Tip to Solve: Read the selection process in order: decision, medical examination, job offer, then contract of employment.

18. 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 recruitment source in which organisations recruit candidates from educational and professional institutions.
- The source is recognised from the setting and participants: employers meet students at a university, college or training institute.

Step 1: Read the illustration The picture shows an institution labelled "A.M. University alongside an interview scene and a selection image. Together these features indicate that prospective employees are being assessed through an educational institution. This identifies campus recruitment.

Step 2: Distinguish the other sources Recommendations of employees arise when existing employees suggest suitable people, rather than from an institutional campus. Labour contractors supply workers through intermediaries, usually for labour requirements. An employment exchange registers job seekers and connects them with vacancies. The university and interview setting specifically favour campus recruitment over these alternatives.

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

Quick Tip to Solve: A university or college shown with interviews is the visual cue for campus recruitment.

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

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

(A) Management is a goal-oriented process

(B) Management is a dynamic function

(C) Management is an intangible force

(D) Management is a continuous process

Correct Answer: (C) Management is an intangible force

Solution:

Concept:

- Management is an intangible force: it cannot be seen directly, but its presence can be felt through results, orderly work and satisfied employees.
- An efficient and effective managerial environment is reflected in willing effort, employee happiness and achievement of objectives.

Step 1: Identify the decisive case evidence The Director "can feel how nicely the Junior Headmaster was managing his classes. The teachers under that Headmaster perform their duties willingly, achieve their objectives and are "happy and satisfied. These observable effects reveal an invisible managerial influence.

Step 2: Separate the other characteristics The school's results and objectives provide the setting, but the emphasis is on feeling management through its effects, so goal orientation is not the best answer. A dynamic function means adapting to environmental change, which the case does not describe. A continuous process means management functions recur, whereas no such recurring cycle is highlighted. The contrast between the two groups demonstrates management as an intangible force.

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

Quick Tip to Solve: When a case says management can be felt through morale, satisfaction or orderly results, choose intangible force.

20. 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 when necessary.
- It monitors progress towards organisational objectives and helps keep activities on the intended course.

Step 1: Connect measurement with the function The question stresses "measures the progress of objectives and keeping the organisation "on the right track. These are controlling activities: managers check whether actual work is producing the expected results and correct significant deviations so that goals can be achieved.

Step 2: Rule out the remaining functions Planning decides objectives and the course of action in advance; it provides the standards against which control operates. Staffing fills positions and develops employees. Directing guides, motivates, supervises and communicates with employees to initiate action. Although these functions support achievement, measurement of progress and corrective action specifically identify controlling.

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

Quick Tip to Solve: Planning sets the target; controlling checks actual progress against it and corrects deviations.

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

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

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

Solution:

Concept:

- Top management consists of the senior-most executives who direct the organisation as a whole. Its responsibilities extend to the overall performance of the enterprise and its relationship with society.
- The level of management is identified by the scope of responsibility, not by an employee's qualifica-

tion alone. Integrating the organisation's diverse activities is a responsibility of top management.

Step 1: Identify Aman's level from the case Aman has joined at the **top level of management**. The case states that he is responsible for "integrating diverse elements and coordinating all the activities of the business" and for "its impact on society". These are organisation-wide responsibilities rather than supervision of one department or a group of workers. The description of his work as complex and stressful also fits the broad responsibilities of top executives.

Step 2: State two other functions at this level **Determining overall objectives:** Aman must decide the overall objectives that the organisation will pursue. These objectives provide direction to the enterprise as a whole and guide the work of the other levels of management.

Formulating overall strategies: Aman must formulate broad strategies for achieving those objectives. Such strategies establish the general course of action for the organisation and provide a framework within which departmental managers prepare their plans. These functions are different from the integration, coordination and social-impact responsibilities already stated in the case.

Step 3: Conclusion Aman is a top-level manager. Two other functions he performs are determining the organisation's overall objectives and formulating its overall strategies.

Quick Tip to Solve: Look for the scope of responsibility: objectives and strategy for the whole enterprise point to top management, even when the employee is newly appointed.

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

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

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

Solution:

Concept:

- Fayol's principle of discipline means obedience to organisational rules and to the employment agreement, which are necessary for the working of an organisation.
- Discipline requires good superiors at all levels, clear and fair agreements, and judicious application of penalties. It places obligations on management as well as on workers.

Step 1: Identify the principle from the agreement The principle followed by Yellow Pumpkin is **discipline**. The restaurant "entered into an agreement with its workers to put in extra hours without

additional payment" during its recovery from losses. In return, it promised to increase their wages after the mission was accomplished. The agreement clearly set out what each side was expected to do.

Step 2: Explain discipline and apply it to both parties **Obedience to the agreement:** Discipline involves honouring the rules and employment agreement that govern organisational work. The workers fulfilled their commitment by putting in the extra hours agreed upon, helping the business become profitable again in three months. Their conduct shows compliance with the agreement rather than merely the presence of a rule on paper.

Reciprocal commitment and fair treatment: Management must also respect its obligations. Yellow Pumpkin "honoured its commitment" by increasing the workers' wages when the restaurant recovered, and it also paid a bonus. Thus, both the workers and the management observed the agreement. Discipline is not simply forcing workers to obey; clear, fair agreements and responsible leadership help secure willing adherence to organisational commitments.

Step 3: Conclusion Yellow Pumpkin followed Fayol's principle of discipline: the workers honoured their agreement to work extra hours, and the management honoured its promise to raise their wages after the business recovered.

Quick Tip to Solve: When a case stresses an agreement honoured by both workers and management, identify discipline and explain the obligations of both sides.

23(a). Explain any two points that highlight the importance of 'Controlling' function of management.

[3 marks]

Solution:

Concept:

- Controlling is the management function that compares actual performance with planned standards, analyses deviations and takes corrective action where necessary.
- A control system helps managers ensure that activities produce the intended results. Its importance extends to achievement of goals and economical use of organisational resources.

Step 1: Explain how controlling helps achieve goals **Accomplishing organisational goals:** Controlling measures progress towards organisational goals by comparing actual performance with the standards laid down in the plans. This comparison identifies deviations and brings them to the attention of managers. Managers can then investigate their causes and take corrective action, so that activities remain on the intended course. For example, if actual output falls below the planned output, management can identify and correct the reason for the shortfall. Controlling therefore guides the organisation towards its goals rather than allowing deviations to continue unnoticed.

Step 2: Explain how controlling improves resource use **Making efficient use of resources:** Controlling helps reduce wastage and spoilage by requiring work to be performed in accordance with predetermined standards. Managers compare the actual use of materials, time and other resources with the expected use and correct avoidable excesses. As a result, resources are used more effectively and efficiently. For example, detecting excessive material wastage allows management to investigate faulty methods and improve them, rather than repeatedly incurring unnecessary consumption. This

promotes economical operation while supporting the planned level of performance.

Step 3: Conclusion Controlling is important because it helps accomplish organisational goals through monitoring and corrective action, and makes efficient use of resources by reducing wastage and ensuring adherence to standards.

Quick Tip to Solve: For each importance point, name the benefit and explain how comparison with standards and corrective action produce that benefit.

OR

23(b). With the help of any three points, explain the relationship between 'Planning' and 'Controlling'.

[3 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and establishes objectives and standards against which actual performance will be assessed.
- Controlling measures actual performance, compares it with planned standards and initiates corrective action. The two functions are interdependent.

Step 1: Explain how planning provides the basis for controlling **Planning and controlling are inseparable twins:** Planning supplies the standards used in controlling. Without a plan, the manager has no desired level of performance against which actual results can be compared. For example, a planned sales target gives the controller a clear benchmark for identifying a shortfall. Thus, planning is a prerequisite for meaningful control.

Step 2: Explain how controlling completes planning **Planning is meaningless without controlling:** Preparing a plan does not ensure that activities will follow it. Controlling checks whether the plan is being implemented, identifies deviations and takes corrective action to bring performance towards the desired result. It therefore ensures that plans are translated into action rather than remaining statements of intention.

Step 3: Show the link between past results and future action **Both functions are forward-looking and backward-looking:** Planning looks ahead to future action, but draws on past experience and the information supplied by control. Controlling looks back by comparing completed performance with standards, yet is forward-looking because corrective action prevents the recurrence of deviations and improves subsequent performance. Control information consequently provides a basis for revised plans.

Step 4: Conclusion Planning sets the course and standards; controlling checks progress and secures corrective action. Feedback from controlling improves future planning, so the two functions form a continuous, mutually supporting cycle.

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

24(a). State any three factors that affect the 'Dividend Decision' of a company. [3 marks]

Solution:

Concept:

- The dividend decision concerns the proportion of earnings distributed to shareholders and the proportion retained in the business for future needs.
- A company considers both its profitability and its ability to make a cash payment. A high accounting profit does not necessarily mean that sufficient cash is available.

Step 1: State the earnings factor **Amount of earnings:** Dividends are paid out of current and past earnings. Therefore, the amount of earnings available is a major determinant of the dividend decision. Other things remaining the same, a company with higher earnings has a greater capacity to declare dividends, whereas low earnings restrict the amount that can be distributed. Distribution must be considered alongside the need to retain some earnings.

Step 2: State the cash-flow factor **Cash flow position:** Paying a dividend involves an actual cash outflow. Consequently, the company must have adequate cash to honour the payment. Even a profitable company may be unable to pay a high dividend if its funds are tied up in inventories or receivables. A sound cash position permits a larger payment without disrupting the company's normal operations.

Step 3: State the growth-opportunities factor **Growth opportunities:** A company with attractive opportunities for expansion needs funds to finance future investment. It may retain a larger portion of its earnings and pay a lower dividend so that internal funds are available for these opportunities. A company with fewer growth opportunities can generally distribute a higher proportion of earnings, other factors remaining the same.

Step 4: Conclusion Three factors affecting the dividend decision are the amount of earnings, the cash flow position and growth opportunities. They influence respectively the earnings available, the capacity to pay cash and the need to retain funds.

Quick Tip to Solve: For dividend decisions, separate profit, cash availability and the need for future investment: each affects the payout differently.

OR

24(b). State any three factors that affect the fixed capital requirements of a company. [3 marks]

Solution:

Concept:

- Fixed capital is the investment in long-term assets, such as land, buildings, plant and machinery, used over several operating cycles.
- Fixed capital requirements vary with the nature of the business, the scale of operations and the production technique adopted. These relate to long-term assets rather than day-to-day working capital.

Step 1: State the nature-of-business factor **Nature of business:** A manufacturing enterprise generally requires substantial investment in plant, machinery and factory buildings to produce goods. A trading concern mainly buys and sells finished goods and ordinarily needs less investment in such production facilities. Therefore, the type of activity undertaken influences the amount of fixed capital required.

Step 2: State the scale-of-operations factor **Scale of operations:** An enterprise operating on a large scale needs greater production capacity and a larger network of facilities. It therefore usually requires more fixed capital for assets such as premises, equipment and machinery. A small enterprise with limited capacity and fewer facilities generally requires a lower investment in fixed assets.

Step 3: State the choice-of-technique factor **Choice of technique:** A capital-intensive production technique uses more machinery and equipment in relation to labour. It consequently requires a higher investment in fixed assets. A labour-intensive technique relies more on workers and relatively less on expensive machinery, so its fixed capital requirement is generally lower for a comparable activity. The technique must be selected according to the enterprise's production needs and resources.

Step 4: Conclusion Three factors affecting fixed capital requirements are the nature of business, the scale of operations and the choice of production technique. Manufacturing, larger operations and capital-intensive methods generally call for greater fixed investment.

Quick Tip to Solve: When stating fixed-capital factors, explain their effect on long-term assets: manufacturing, larger scale and more machinery usually raise the requirement.

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

(i) Occupying the position or post for which the person has been selected and familiarising the selected person to other employees and with the rules and policies of the organisation.

(ii) To facilitate employee-learning inhouse or by alliance with educational institutions and offering opportunities for career advancement so that they can contribute more to organisational effectiveness and efficiency. [4 marks]

Solution:

Concept:

- Staffing involves putting the right person in the right job and developing that person's ability to contribute to organisational objectives.
- After selection, placement and orientation help the employee enter the job and organisation; training and development build the knowledge and skills required for present and future responsibilities.

Step 1: Identify placement and orientation in statement (i) **Placement and orientation:** The expression 'occupying the position or post for which the person has been selected' identifies placement, while 'familiarising the selected person to other employees and with the rules and policies' identifies orientation. Together, they constitute this step in the staffing process.

Step 2: Explain how placement and orientation introduce the employee **Placement** means the employee actually occupies the position for which selection has taken place and is assigned the corresponding duties. **Orientation** introduces the new employee to the organisation, its colleagues,

rules and policies. This familiarisation helps the person understand the working environment, reduces initial uncertainty and makes adjustment to the job easier. Thus, selection chooses the person, whereas placement and orientation bring that person into the actual work setting.

Step 3: Identify and explain training and development in statement (ii) **Training and development:** The references to 'employee-learning inhouse or by alliance with educational institutions' and 'opportunities for career advancement' identify this step. Training improves the knowledge, skills and abilities needed to perform the present job efficiently. Development prepares employees for broader responsibilities and future career growth. Learning may be organised within the enterprise or through suitable educational institutions. By enabling employees to improve their performance and take on greater responsibilities, this step supports both organisational effectiveness and efficiency.

Step 4: Conclusion Statement (i) describes **placement and orientation**; statement (ii) describes **training and development**. The first settles the selected employee into the job and organisation, and the second improves present performance and prepares the employee for future responsibilities.

Quick Tip to Solve: Link 'occupying the post' with placement, 'familiarising' with orientation, and 'learning and career advancement' with training and development.

OR

25(b). Identify and explain two sources of recruitment when the present employees are insufficient to fulfil the specifications of the job to be filled. [4 marks]

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation. It creates a pool of applicants from which suitable employees can be selected.
- When existing employees cannot meet the requirements of a vacancy, the enterprise uses external sources of recruitment to attract candidates from outside the organisation.

Step 1: Identify the category of recruitment required The statement that 'present employees are insufficient to fulfil the specifications of the job' indicates **external recruitment**. Promotions and transfers move employees already within the organisation and may not supply the required new skills. The enterprise must therefore reach potential applicants in the outside labour market. Two suitable external sources are advertisement and employment exchanges.

Step 2: Explain advertisement as an external source **Advertisement:** Vacancies are advertised through newspapers, professional journals or other appropriate media. The advertisement communicates the nature of the job, required qualifications and experience, and the procedure for applying. It reaches a comparatively wide range of potential candidates and gives job seekers the information needed to judge their suitability. This source is especially useful where an enterprise needs a wide choice of applicants, including for specialised or senior positions, and cannot fill the vacancy adequately from its existing workforce.

Step 3: Explain employment exchanges as an external source **Employment exchanges:** Employment exchanges maintained by the government keep information about registered job seekers and vacancies notified by employers. When an enterprise supplies its job requirements, the exchange can provide details of candidates who appear to meet those requirements. This helps connect employers with people seeking work and reduces the preliminary search effort. Such exchanges are particularly useful for recruiting unskilled and skilled operative employees. The employer still assesses the referred applicants and selects those who satisfy the job specifications.

Step 4: Conclusion The enterprise should recruit externally. **Advertisement** attracts applications by publicising the vacancy, while **employment exchanges** help locate registered job seekers whose qualifications and skills match the employer's requirements.

Quick Tip to Solve: First identify outside hiring as external recruitment, then explain how each named source actually connects the enterprise with prospective applicants.

26(a). State any four 'Semantic barriers' to communication. [4 marks]

Solution:

Concept:

- Semantic barriers are problems in encoding and decoding a message. They arise when the words, symbols or expressions used do not convey the intended meaning to the receiver.
- Effective communication requires a common understanding of the message. The following four semantic barriers explain how meaning can be lost even when a message reaches its receiver.

Step 1: State barriers arising from the wording of the message

- **Badly expressed message:** A manager may fail to convey the intended meaning because of inadequate vocabulary, wrong words, omission of necessary words or poor sentence organisation. Such an expression makes the message vague or incomplete, so the receiver cannot interpret it as the sender intended.
- **Symbols with different meanings:** A word or symbol may have more than one meaning. For example, the word 'value' may refer to a price or to a moral principle. If the receiver selects a different meaning from the one intended by the sender, the message is misunderstood even though the same words have been heard.

Step 2: State barriers arising from translation and implied meaning

- **Faulty translations:** A message originally prepared in one language may have to be translated into another for employees. An inaccurate translation can change its meaning. Unless the translator has proficiency in both languages and understands the subject, the translated message may convey something different from the original.
- **Unclarified assumptions:** A message may rest on assumptions that the sender takes for granted but does not state. The receiver may not share those assumptions and may therefore interpret the message differently. For example, an instruction to meet a visitor may be understood merely as receiving the visitor, whereas the sender may also expect arrangements for the visitor's stay.

Step 3: Conclusion Four semantic barriers are **badly expressed messages, symbols with different**

meanings, faulty translations and unclarified assumptions. Each creates a difference between the meaning intended by the sender and the meaning understood by the receiver.

Quick Tip to Solve: For semantic barriers, focus on how meaning changes through words, translation or unstated assumptions; distinguish these from fear, distrust and organisational status.

OR

26(b). State any four measures to overcome barriers to communication. [4 marks]

Solution:

Concept:

- Communication is effective when the receiver understands the message in the sense intended by the sender. Barriers can be reduced by improving the message as well as the conditions in which it is sent and received.
- Managers should make the purpose clear, consider the receiver, choose suitable language and check understanding. The following are four measures to overcome communication barriers.

Step 1: Make the message clear and suitable for the receiver

- **Clarify the ideas before communication:** Before sending a message, the manager should be clear about its purpose, content and intended result. The problem or issue should be studied in depth and expressed in precise terms. A clear idea in the sender's mind helps prevent vague, incomplete or contradictory instructions.
- **Communicate according to the needs of the receiver:** The manager should assess the receiver's level of understanding, education and experience. The message should be adapted to that level rather than framed solely from the sender's viewpoint. Explaining unfamiliar ideas in a form the receiver can follow reduces misunderstanding.

Step 2: Use appropriate expression and check understanding

- **Be aware of the language, tone and content of the message:** The words used should be simple, clear and understandable to the receiver. Unnecessary technical jargon, ambiguity and an unsuitable tone should be avoided. The content must convey the intended idea without offending the listener or distracting attention from the message.
- **Ensure proper feedback:** The sender should provide an opportunity for the receiver to respond, ask questions and explain what has been understood. The manager should review this response to check whether the message was correctly received. Misunderstandings can then be clarified promptly, completing the communication process effectively.

Step 3: Conclusion Four measures are **clarifying ideas before communicating, communicating according to the receiver's needs, using suitable language, tone and content, and ensuring proper feedback**. Together they improve both the expression of the message and confirmation of its understanding.

Quick Tip to Solve: Organise the answer around preparing a clear idea, adapting it to the receiver, expressing it suitably and using feedback to confirm understanding.

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

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

Solution:

Concept:

- Non-financial incentives satisfy employees' psychological, social and emotional needs, such as security, recognition and opportunities to develop, rather than directly increasing their monetary remuneration.
- Job security provides stability of future employment and income. It reduces anxiety about losing one's livelihood and encourages employees to work with greater zeal.

Step 1: Identify the incentive from the case **Job security:** Alen Pvt. Ltd. is providing job security, which is a non-financial incentive. The decisive words are 'certain stability about future income and work so that they do not feel worried on these aspects'. With inadequate job opportunities and many aspirants, uncertainty about continued employment is particularly worrying. By providing stability, the company reduces this anxiety; the resulting 'greater zeal' shows its motivational effect. Although security concerns future income, the incentive identified here is assurance of continued employment, rather than a pay rise or bonus.

Step 2: State three other non-financial incentives

- **Status:** An employee's position in the organisational hierarchy, authority, responsibility and recognition associated with it can satisfy the need for esteem. A respected position motivates the employee even without a direct monetary reward.
- **Career advancement opportunity:** Opportunities to improve skills and obtain promotion to higher-level positions satisfy employees' growth needs. Suitable training and a clear advancement path encourage them to improve their performance.
- **Employee recognition programme:** Appreciating good performance, acknowledging an employee's contribution, or presenting an award gives recognition for achievement. Such appreciation satisfies the need to be valued and motivates continued good work.

Step 3: Conclusion The incentive used by Alen Pvt. Ltd. is **job security**, a **non-financial incentive**. Three other incentives of this type are status, career advancement opportunity and an employee recognition programme.

Quick Tip to Solve: Link 'stability about future income and work' to job security. When asked for incentives of the same type, give non-financial examples rather than bonus, profit sharing or retirement benefits.

28. Give the meaning of 'Financial Management'. Explain any three points that highlight the role of financial management. [4 marks]

Solution:

Concept:

- Financial management is concerned with the optimal procurement and usage of finance. It seeks to obtain funds at an appropriate cost and risk and allocate them to productive uses.
- Its decisions shape the financial position of a business, including the scale and composition of assets and the funds needed for day-to-day operations. These decisions serve the objective of maximising shareholders' wealth.

Step 1: Define financial management **Meaning:** Financial management means the efficient acquisition and utilisation of funds. On the procurement side, it involves identifying suitable sources and obtaining finance at the lowest appropriate cost while keeping risk under control. On the utilisation side, it involves allocating funds to investments that offer adequate returns. Thus, it connects the financing needs of the enterprise with the effective use of the funds obtained.

Step 2: Explain three aspects of its role

- **Determines the size of fixed assets:** Capital budgeting decisions determine how much the enterprise invests in long-term assets such as land, buildings and machinery. Once the scale of these investments is decided, the business must arrange the corresponding long-term finance. Financial management therefore influences the overall size of its fixed-asset base.
- **Determines the composition of fixed assets:** Financial management evaluates alternative ways of carrying out operations. For example, choosing between a capital-intensive technique and a labour-intensive technique changes the proportion of machinery and other fixed assets employed. The investment decision therefore influences the kinds and mix of long-term assets held by the business.
- **Determines the quantum of current assets:** Working capital decisions determine the funds tied up in cash, inventory and receivables. A business must maintain enough of these assets for smooth operations, while avoiding excessive funds lying idle or being unnecessarily blocked. Financial management thus influences the level of current assets and the liquidity of the enterprise.

Step 3: Conclusion Financial management concerns the optimal procurement and use of finance. Its role is reflected, among other things, in determining the size of fixed assets, the composition of fixed assets and the quantum of current assets maintained by the enterprise.

Quick Tip to Solve: For the role of financial management, explain what its decisions determine in the business: the size and mix of fixed assets and the amount of current assets are three distinct points.

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 covers activities that create customer value and facilitate exchanges. Developing a product and arranging its supply do not, by themselves, ensure that customers will buy it.
- Promotion informs and persuades potential buyers, while customer support services maintain customer satisfaction and encourage repeat purchases.

Step 1: Identify the omitted functions from the case The case lists market research, planning, product development, standardisation, packaging, labelling, branding, pricing and physical distribution activities. It then says that the team omitted functions that can help in 'boosting the sales' and 'getting repeat sales'. The missing functions are **promotion** and **customer support services**. Promotion attracts buyers to the new children's watches; support services help retain those buyers after purchase.

Step 2: Explain promotion **Promotion:** This function involves informing customers about the firm's products and persuading them to buy. The marketer chooses a suitable combination of advertising, personal selling, sales promotion and publicity, and decides the promotional budget. Smart Watch Ltd. must communicate the availability, features and benefits of its children's smart-watches to the intended buyers. Without such communication, even a well-designed and properly distributed watch may not generate sales because potential customers may be unaware of it or unconvinced of its usefulness.

Step 3: Explain customer support services **Customer support services:** These include after-sales services, handling customer complaints and adjustments, maintenance services, technical services and consumer information. Such services aim to provide maximum customer satisfaction and are important for the success of marketing. For Smart Watch Ltd., assistance with using the watches and dealing with service needs would support buyers after purchase. Satisfied customers are more likely to purchase again and recommend the product, thereby helping the company secure repeat sales.

Step 4: Conclusion The marketing team failed to perform **promotion** and **customer support services**. Promotion can stimulate demand for the children's watches, while effective support maintains satisfaction and encourages repeat purchases.

Quick Tip to Solve: Link attracting a buyer to promotion and retaining a satisfied buyer to customer support services; production and distribution alone do not complete marketing.

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

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

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

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

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

[4 marks]

Solution:

Concept:

- The capital market includes the primary market for new securities and the secondary market for securities that have already been issued.
- Classify the transaction by whether the company is issuing securities to obtain funds or investors are trading existing securities among themselves.

Step 1: Identify the market for existing shares **(a) Secondary market:** Hitesh Ltd.'s existing securities are traded in the secondary market, also called the stock market or stock exchange. The decisive clues are that the company 'is listed with a reputed stock exchange' and that its existing shares are being traded. In these transactions investors buy and sell previously issued securities. An increase in the quoted share price does not, by itself, mean that the company receives additional capital.

Step 2: Identify the market for the public issue **(b) Primary market:** The company proposes to raise Rs 200 crore through the primary market, also called the new issue market. The clue is the Finance Manager's decision to raise capital 'by a public issue'. The company will offer new securities to investors to obtain funds for its car manufacturing business. A company that is already listed can still make a new issue in the primary market; listing does not make every subsequent transaction a secondary-market transaction.

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

Basis	**Secondary market: (a)**	**Primary market: (b)**
Nature of securities	Deals in existing securities that have already been issued, as in trading Hitesh Ltd.'s listed shares.	Deals in new securities issued by the company, as in its proposed public issue.
Flow of funds	Sale proceeds normally pass from the buying investor to the selling investor; the issuing company receives no fresh funds from that trade.	Funds flow from subscribers to the issuing company, providing fresh capital for its business.

Step 4: Conclusion Hitesh Ltd.'s existing shares trade in the **secondary market**; its proposed public issue to raise Rs 200 crore belongs to the **primary market**. The distinction rests on existing versus new securities and whether funds go to a selling investor or to the issuing company.

Quick Tip to Solve: Follow the money: a new issue brings funds to the company in the primary market; trading an existing share normally pays its previous owner in the secondary market.

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

(i) Management is a group activity

(ii) Management is a dynamic function

(iii) Management is multidimensional [6 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently through people to achieve organisational objectives. Its characteristics explain how this process operates in an organisation.
- Management coordinates a group's efforts, adapts to changes in the environment and simultaneously manages work, people and operations. These aspects are interrelated rather than separate functions performed in isolation.

Step 1: Explain management as a group activity

- **Collective effort:** An organisation consists of people with different needs, abilities and behaviours who work together for a common purpose. Organisational objectives are achieved through their collective efforts rather than the effort of one person alone.
- **Coordination and teamwork:** Management gives these individual efforts a common direction and enables members to work as a team. It helps individuals contribute their strengths while developing and responding to changing organisational needs. For example, producing and selling a product requires coordinated work by production, finance and marketing personnel.

Step 2: Explain management as a dynamic function

- **Response to environmental change:** An organisation operates in an environment containing economic, social, technological and political forces. Since these forces keep changing, management cannot operate through an unchanging set of actions.
- **Adaptation of goals and activities:** Managers must adapt organisational goals, plans and working methods to these changes to help the organisation survive and grow. For example, when consumers increasingly prefer to shop online, management may introduce online ordering and adapt its distribution arrangements. The appropriate action depends on the change faced by the organisation.

Step 3: Explain the dimensions managed together

- **Management of work:** Every organisation exists to perform some work, such as producing goods or providing services. Management translates this work into goals and assigns the means to achieve them, including decisions, responsibilities and tasks.
- **Management of people:** People perform the work. Management deals with employees as individuals with diverse needs and behaviour and also as a group. It helps them use their strengths and work towards the common organisational objective.
- **Management of operations:** Work requires a production or service process that transforms inputs into outputs for consumption. Management brings together the flow of materials, technology and people so that this process achieves the desired result. Thus work, people and operations must be

managed together.

Step 4: Conclusion Management is a group activity because it unifies collective efforts, a dynamic function because it adapts to the changing environment, and multidimensional because it manages work, people and operations simultaneously.

Quick Tip to Solve: Link group activity with teamwork, dynamic function with environmental adaptation, and multidimensional management with the three words work, people and operations. Explain each link rather than merely naming it.

OR

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

(i) Formed by Practice and Experience

(ii) Contingent

(iii) Cause and Effect Relationship [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision making and behaviour. Their nature reflects how they are developed and how they are applied to people and organisations.
- These principles arise from practice and experience, are applied according to the circumstances, and indicate relationships between managerial actions and their likely effects. They guide judgement rather than replace it with rigid rules.

Step 1: Explain formation through practice and experience

- **Observation of managerial practice:** Management principles have been developed through the experience and collective wisdom of managers as well as experimentation. Managers observe recurring problems, try approaches to deal with them and learn from the results over time.
- **Generalisation from experience:** These observations provide the basis for useful guidelines. For example, experience shows that giving an employee orders from more than one superior may produce confusion and conflict. The principle of unity of command therefore recommends that an employee should receive orders from only one superior. Such a principle expresses a lesson drawn from actual organisational experience.

Step 2: Explain their contingent application

- **Dependence on the situation:** The application of a principle depends on the prevailing circumstances at a particular point of time. A manager must consider the organisation, the task and the people involved before deciding how to use a principle.
- **Judgement in using a guideline:** The same principle need not be applied in an identical way in every situation. For example, the principle of fair and equitable remuneration should be applied while considering employees' contributions, the employer's paying capacity and prevailing wage

rates. Thus the principle gives direction, while the circumstances influence its practical application.

Step 3: Explain the cause and effect relationship

- **Link between action and result:** Principles of management aim to establish a relationship between a cause, such as a managerial action, and its likely effect. They help a manager anticipate the probable consequences of decisions. For example, division of work encourages specialisation, which can improve efficiency through practice and greater skill.
- **Relationship qualified by human behaviour:** These relationships are less exact than those in the natural sciences because management deals with people whose behaviour differs across individuals and situations. An effect may have several causes. Hence the principle indicates the likely outcome of an action when used in a comparable situation, rather than guaranteeing an identical result regardless of conditions.

Step 4: Conclusion Management principles are formed from practice, experience and experimentation; their application is contingent on prevailing circumstances; and they explain probable cause and effect relationships that help managers make informed decisions.

Quick Tip to Solve: For each feature, explain its meaning and add a suitable managerial example. Distinguish contingent application, which concerns when and how a principle is used, from cause and effect, which concerns the likely result of an action.

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

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

(i) Kartik

(ii) Vivek Electronics

(iii) Consumers

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

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

Solution:

Concept:

- Consumer protection safeguards a buyer or user who satisfies the statutory definition of a consumer against defective goods, deficient services and unfair trade practices.
- A person who obtains goods for resale or for a commercial purpose is excluded from the definition of a consumer. The right to seek redressal enables an eligible consumer to obtain relief for a genuine grievance.

Step 1: Identify who has purchased for consumption **(a) Consumers:** The customers who bought the defective smart televisions for their own use can exercise their consumer rights. They can proceed against Kartik, the seller from whom they purchased the televisions, and/or Vivek Electronics, the

manufacturer responsible for the defective sets. The case states that Kartik is receiving complaints from "almost all the customers", establishing the customers' grievance about the goods supplied.

Kartik: He cannot claim the status of a consumer under the Consumer Protection Act for this purchase because he is "engaged in trading" and bought the televisions for resale. His commercial dispute with the manufacturer is distinct from the customers' consumer rights.

Vivek Electronics: It is the manufacturer and supplier of the defective televisions in this transaction, rather than the consumer entitled to claim relief on these facts. BIS certification does not remove the customers' right to complain about an actual defect.

Step 2: Define a consumer under the 2019 Act **(b) Consumer:** A consumer is a person who buys goods or hires or avails of services for a consideration that has been paid or promised, partly paid and partly promised, or under a system of deferred payment. The definition includes an approved user of such goods and an approved beneficiary of such services, other than the original buyer or hirer.

It excludes a person obtaining goods for resale or a commercial purpose, or availing of services for a commercial purpose. Use of goods bought and used exclusively to earn one's livelihood by means of self-employment is not treated as a commercial purpose for this exclusion. Transactions may be offline or online, including electronic transactions, teleshopping, direct selling and multi-level marketing. Kartik's purchase for trading falls within the resale exclusion.

Step 3: State the right that provides relief **(c) Right to seek redressal:** Consumers have the right to seek relief against unfair or restrictive trade practices and unscrupulous exploitation. For the defective televisions, they may seek an appropriate remedy such as removal of the defect, replacement of the goods, refund of the price or compensation for loss or injury, as applicable. This right gives a remedy for the grievance; the right to be heard supports the presentation of the complaint but is not itself the named right to obtain redress.

Step 4: Conclusion The consumers can exercise their rights against Kartik and/or Vivek Electronics. Kartik's purchase for resale does not make him a consumer in this transaction. The right used to obtain relief for the defective televisions is the **right to seek redressal**.

Quick Tip to Solve: First ask why the goods were bought: personal use supports consumer status, while resale excludes it. For replacement, refund or compensation, identify the right to seek redressal.

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

(i) Benefits of specialisation

(ii) Clarity in working relationships

(iii) Adaptation to change [6 marks]

Solution:

Concept:

- Organising is the process of identifying and dividing work, grouping related activities, assigning duties and establishing reporting relationships so that people work together towards organisational objectives.
- A sound organisation structure links jobs and people. It creates specialisation, clarifies authority and

responsibility, and provides a framework that can respond to changes in the business environment.

Step 1: Explain the benefits of specialisation **(i) Benefits of specialisation:** Organising systematically divides the total work into manageable activities and assigns specific tasks to employees. Allocation takes account of the nature of the job and the abilities of the person performing it. Each employee can concentrate on a limited set of duties instead of repeatedly moving between unrelated tasks.

Repeated performance of a particular task develops experience, skill and speed. Employees become specialists in their areas, making better use of their abilities and reducing mistakes. This division of work therefore improves the efficiency and quality of performance and can raise overall productivity. Specialisation arises from purposeful division and assignment of work, rather than merely from placing people under a common manager.

Step 2: Explain clarity in working relationships **(ii) Clarity in working relationships:** Organising specifies the duties attached to each job and establishes who reports to whom. Employees understand what they must do, from whom they receive instructions and to whom they are accountable. Managers also know the extent of their authority and the responsibilities of the people reporting to them.

These defined relationships remove ambiguity in the transfer of information and instructions. They help fix responsibility and avoid duplication of effort, overlapping authority and confusion about unfinished work. Clear reporting relationships enable departments and individuals to coordinate their contributions, so that separate activities form a coherent effort towards the organisation's goals.

Step 3: Explain adaptation to change **(iii) Adaptation to change:** A well-designed organisation structure provides a framework within which activities and working relationships can be modified when business conditions change. As technology, customer requirements or the scale of operations changes, jobs may need to be reassigned, departments reorganised and reporting relationships revised.

Organising makes these adjustments systematic rather than leaving employees uncertain about new responsibilities. A suitable structure permits flexibility and stability together: it can accommodate necessary changes while allowing essential work to continue. By reviewing activities and relationships in response to environmental changes, the enterprise can maintain efficiency, support growth and improve its prospects of survival.

Step 4: Conclusion Organising improves performance through specialised work, makes responsibilities and reporting relationships clear, and provides a flexible framework for adapting activities to changing conditions. Together these benefits help people contribute effectively towards common objectives.

Quick Tip to Solve: Link each heading to a mechanism: division of work creates specialisation, reporting relationships create clarity, and revision of jobs and relationships enables adaptation.

OR

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

(i) Effective management

(ii) Employee development

(iii) Better coordination [6 marks]

Solution:

Concept:

- Delegation means transferring authority from a superior to a subordinate so that the subordinate can carry out assigned duties. It includes assignment of responsibility, grant of authority and creation of accountability.
- Delegation helps the organisation use its managers' time and develop its employees. Authority may be delegated, but the superior remains accountable for the overall performance of the work entrusted to the subordinate.

Step 1: Explain effective management **(i) Effective management:** Delegation allows a manager to share routine work with subordinates instead of personally attending to every detail. The subordinate receives the authority needed to take decisions for the assigned task. This reduces the manager's workload and leaves more time for important matters such as planning, policy decisions and supervision. The manager can concentrate on work requiring higher judgement, while routine decisions are taken closer to the point of action. Thus, delegation increases managerial effectiveness and helps the organisation achieve its objectives efficiently.

Step 2: Explain employee development **(ii) Employee development:** When subordinates receive responsibility and the authority to act, they obtain opportunities to use their abilities, exercise judgement and take independent decisions. They learn through practical experience rather than merely carrying out detailed orders. Handling challenging assignments develops their initiative, confidence and competence; it can also reveal capabilities that were previously unused. Delegation therefore provides a form of training while employees perform their jobs and prepares them to accept greater responsibilities and higher positions in the future.

Step 3: Explain better coordination **(iii) Better coordination:** Delegation clearly defines the duties assigned to each person, the authority available for performing them and the person to whom the employee is accountable. These defined superior-subordinate relationships help employees understand who must do what and who reports to whom. Clear responsibility and authority avoid duplication of effort, unnecessary interference and confusion about decision-making. They also make it easier for managers to link individual efforts and maintain effective working relationships. As a result, the activities of different employees can be coordinated towards the common organisational objectives.

Step 4: Conclusion Delegation promotes effective management by freeing managers for important work, develops employees through responsibility and independent decision-making, and improves coordination through clear duties, authority and reporting relationships.

Quick Tip to Solve: Link the three benefits to three outcomes: time for the manager, learning for the subordinate, and clear working relationships for the organisation.

34. 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:

- A strategy is a comprehensive plan for achieving organisational objectives. It provides the broad outline of the organisation's business, taking into account the business environment and the resources required.
- A policy is a general statement that guides thinking and channels decision-making towards a particular direction. It sets broad parameters within which managers can exercise discretion while implementing strategy.

Step 1: Identify the plan used by Ananta Travel and Tourism **(a) Identification — Strategy:** The decisive words are that the company prepares a 'comprehensive plan taking into consideration the business environment' to achieve its objectives. This describes a strategy. The case concerns the overall approach of the tourism and hospitality business, rather than a detailed sequence for performing a routine task.

Step 2: Explain the meaning of strategy **Comprehensive framework:** A strategy brings together the broad choices needed to attain the organisation's objectives. Its three dimensions are determining long-term objectives, adopting a suitable course of action, and allocating the resources required for that course of action.

Relationship with the environment: Strategy considers the external conditions in which the organisation operates, including competitive and other business forces, as well as the resources available to it. Thus, Ananta's plan provides a broad framework for pursuing its objectives in the tourism and hospitality business. It is wider than a procedure, which specifies the sequence of steps for carrying out an activity, or a rule, which prescribes a specific action without discretion.

Step 3: Identify the plan developed by Amit **(b) Identification — Policy:** Amit has developed the 'broad parameters within which the managers may function' and provided a 'base for interpreting strategy'. These are the characteristic features of a policy. It guides the managers' thinking while they make decisions consistent with the company's strategy.

Step 4: Explain the meaning of policy **Guidance for decisions:** A policy defines the broad boundaries within which managers may choose an appropriate course of action. It channels decisions towards organisational objectives and helps managers interpret a strategy that has been expressed in general terms.

Consistency with flexibility: Policies enable similar situations to be handled consistently without requiring top management to decide every individual case. At the same time, managers retain judgement within the stated limits. Unlike a rule, a policy does not prescribe only one compulsory action; unlike a procedure, it does not list a fixed sequence of steps. Amit's broad parameters therefore

represent a policy, not a rule or procedure.

Step 5: Conclusion In case (a), the plan is a **strategy**, because it is a comprehensive plan for achieving objectives in the business environment. In case (b), it is a **policy**, because it sets broad parameters for managerial decisions and interprets the general strategy.

Quick Tip to Solve: Identify strategy from an overall plan linked to objectives and the environment; identify policy from broad limits that guide managers' decisions.