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

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. Project 'Nanhi Kali' run by Shivam and Sohan Ltd. was started in 1998 and is one of the largest programmes that enables underprivileged girls to complete 10 years of schooling. The project has impacted the lives of over 5 lakh girls from low income group families across the country.

The objective achieved by Shivam and Sohan Ltd. by doing so is : [1 mark]

(A) Organizational objective

(B) Social objective

(C) Personal objective

(D) Both (a) and (c)

Correct Answer: (B) Social objective

Solution:

Concept:

- Social objectives express the responsibility of a business towards society, including improving the welfare of disadvantaged groups.
- Organisational objectives concern survival, profit and growth; personal objectives concern the needs of employees.

Step 1: Identify the beneficiaries The case says the project enables 'underprivileged girls to complete 10 years of schooling' and has helped girls from low-income families. The direct benefit is education and better opportunities for a disadvantaged section of society.

Step 2: Match the activity to the objective Providing educational support to the community fulfils a social objective. It is not described as a measure to secure organisational survival, profit or growth, so (A) is unsuitable. It does not meet the personal needs of the company's employees, so (C) is unsuitable; consequently the combination in (D) is also incorrect.

Step 3: Conclusion The company achieves a social objective by promoting education among underprivileged girls. Hence, the correct option is (B).

Quick Tip to Solve: Identify who receives the direct benefit: community welfare indicates a social objective; employee welfare indicates a personal objective.

2. With rising pollution levels, consumers are becoming conscious about the harmful effects of polluted air, so the demand for home air-purifiers is increasing day-by-day. Which dimension of business environment is discussed here ? [1 mark]

(A) Political Environment

(B) Technological Environment

(C) Economic Environment

(D) Social Environment

Correct Answer: (D) Social Environment

Solution:

Concept:

- The social environment includes attitudes, values, expectations and social trends that influence business demand.
- A change in consumer awareness or lifestyle can create an opportunity for a business even when the product uses existing technology.

Step 1: Locate the change described The decisive words are 'consumers are becoming conscious about the harmful effects of polluted air'. Their growing concern for health changes their preferences and increases demand for air-purifiers.

Step 2: Distinguish the other dimensions This is a change in social attitudes and awareness, making (D) appropriate. The case does not describe a government policy or political event, ruling out (A). It does not focus on an invention or technological improvement, ruling out (B). Although demand rises, no change in income, interest rates or other economic condition is the trigger, ruling out (C).

Step 3: Conclusion The dimension discussed is the social environment. Hence, the correct option is (D).

Quick Tip to Solve: Classify an environmental change by its cause: growing health awareness is social, whereas a new invention would be technological.

3. From the following, identify the Incorrect Statement as per Consumer Protection Act, 2019 :

[1 mark]

(A) National Commission has territorial jurisdiction over the whole country for consumer protection.

(B) District Commission entertains complaints where value of goods or services paid as consideration does not exceed ₹ 1 crore.

(C) Appeal against District Commission's order can be filed in National Commission.

(D) District Commission and State Commission are set by the State Governments.

Correct Answer: (C) Appeal against District Commission's order can be filed in National Commission.

Solution:

Concept:

- The consumer redressal machinery has three levels: District Commission, State Commission and National Commission.
- An appeal against a District Commission order goes to the State Commission; an appeal against a State Commission order goes to the National Commission.

Step 1: Trace the appeal route The statement in (C) skips the State Commission and says that an appeal against the District Commission's order can be filed in the National Commission. This is the incorrect route. The ordinary appellate sequence is District to State, followed by State to National.

Step 2: Check the remaining alternatives The National Commission operates at the national level, so (A) describes its territorial reach. In the statutory limits used by this question and the textbook account of the 2019 Act, (B) states the District Commission limit. District and State Commissions are established by State Governments, as in (D). The intended incorrect statement is therefore (C).

Step 3: Conclusion An appeal against a District Commission order is filed before the State Commission, not directly before the National Commission. Hence, the correct option is (C).

Quick Tip to Solve: For appeal questions, write the three levels in order: District, State, National. Check whether the statement skips an intermediate level.

4. In advertising 'there is no direct face-to-face contact between the prospect and the advertiser'. The feature of advertising stated here is :

[1 mark]

(A) Paid form

(B) Impersonality

(C) Economical

(D) Identified sponsor

Correct Answer: (B) Impersonality

Solution:

Concept:

- Advertising is an impersonal form of communication in which an identified sponsor pays to promote goods, services or ideas.

- Impersonality means that the advertiser and the prospective buyer do not interact directly face to face.

Step 1: Identify the clue The quoted phrase 'no direct face-to-face contact' describes the lack of personal interaction between advertiser and prospect. A common message reaches an audience through an advertising medium.

Step 2: Eliminate the other features This absence of direct interaction is impersonality, so (B) fits. Paid form, (A), concerns the money spent to communicate the message. Economical, (C), concerns cost, often cost per person reached. Identified sponsor, (D), means that the source of the advertisement is known. None of these three describes the contact relationship in the quotation.

Step 3: Conclusion The stated feature of advertising is impersonality. Hence, the correct option is (B).

Quick Tip to Solve: Link no face-to-face contact with impersonality; link payment with paid form and the named advertiser with identified sponsor.

5. From the following, identify the statement which is correct about capital budgeting decision :

[1 mark]

(A) These decisions are reversible.

(B) These decisions include committing huge amounts of finance on a long-term basis, therefore need to be taken with utmost care.

(C) These decisions do not affect the earning capacity of the business in the long run.

(D) Size of assets, profitability and competitiveness are not affected by capital budgeting decisions.

Correct Answer: (B) These decisions include committing huge amounts of finance on a long-term basis, therefore need to be taken with utmost care.

Solution:

Concept:

- Capital budgeting decisions are long-term investment decisions, such as acquiring fixed assets or undertaking expansion.
- They involve substantial funds, long-term effects and considerable risk; reversing them can be difficult and costly.

Step 1: Recognise the commitment involved A capital budgeting decision commits large amounts of finance to assets or projects that yield benefits over a long period. Errors can lock funds into an unsuitable project, so careful evaluation is essential. This is precisely the statement in (B).

Step 2: Test the other statements Option (A) is incorrect because such decisions are generally difficult to reverse without loss. Option (C) is incorrect because long-term investment affects future earning capacity. Option (D) is incorrect because these decisions influence the size of assets, profitability and competitiveness. All three deny important characteristics of capital budgeting.

Step 3: Conclusion Capital budgeting requires utmost care because it commits huge funds for the long term. Hence, the correct option is (B).

Quick Tip to Solve: Remember capital budgeting through three clues: large funds, long-term impact and costly reversal. Reject statements denying these features.

6. In organising process, which of the following step is performed just before establishing reporting relationship between individuals ? [1 mark]

(A) Assignment of duties

(B) Identification and division of work

(C) Departmentalization

(D) Imparting training to employees

Correct Answer: (A) Assignment of duties

Solution:

Concept:

- The organising process proceeds through identification and division of work, departmentalisation, assignment of duties and establishment of reporting relationships.
- Assignment of duties allocates jobs to suitable individuals before their authority and reporting relationships are clarified.

Step 1: Put the steps in sequence First identify and divide the work, then group similar activities into departments. Next assign duties to individuals according to their abilities. After this, establish who reports to whom and the authority needed to perform the duties.

Step 2: Select the immediate predecessor Assignment of duties is immediately before establishment of reporting relationships, so (A) is correct. Identification and division of work, (B), comes first; departmentalisation, (C), comes second. Training, (D), belongs to staffing and is not the preceding step in this organising sequence.

Step 3: Conclusion The step is assignment of duties. Hence, the correct option is (A).

Quick Tip to Solve: Use the sequence divide, group, assign, relate: the step just before reporting relationships is assignment of duties.

7. A statement of expected results expressed in numerical terms is a type of plan called as _____. [1 mark]

(A) Method

(B) Budget

(C) Programme

(D) Procedure

Correct Answer: (B) Budget

Solution:

Concept:

- A budget is a statement of expected results expressed in numerical terms and serves as a quantitative plan.
- Budgets can state expected receipts, expenditure, sales or output; numerical expression is their defining feature.

Step 1: Identify the defining phrase The words 'expected results expressed in numerical terms' give the standard meaning of a budget. For example, a sales budget specifies anticipated sales in quantities or money for a period.

Step 2: Distinguish the other plans A method, (A), prescribes the way to perform a task. A programme, (C), brings together objectives, policies, procedures, tasks and resources for an activity. A procedure, (D), prescribes a sequence of steps. These plans may involve numbers, but none is defined by a numerical statement of expected results. That defining feature belongs to (B).

Step 3: Conclusion The type of plan is a budget. Hence, the correct option is (B).

Quick Tip to Solve: When a planning definition stresses numerical expected results, choose budget; when it stresses a sequence of steps, choose procedure.

8. Which of the following functions of management completes one cycle of management process and improves planning in the next cycle ? [1 mark]

(A) Organising

(B) Staffing

(C) Directing

(D) Controlling

Correct Answer: (D) Controlling

Solution:

Concept:

- Controlling compares actual performance with planned standards and corrects deviations.
- Planning and controlling are interdependent: the results of control provide information for future planning.

Step 1: Identify the final link in the cycle Controlling checks whether activities have achieved the targets set during planning. Managers measure actual results, compare them with standards and take corrective action where necessary.

Step 2: Connect control with the next plan The information obtained reveals weaknesses in implementation and unrealistic standards. It improves plans for the next cycle. Organising allocates duties, staffing supplies people and directing guides their work; none performs this final comparison and feedback function.

Step 3: Conclusion Controlling completes one cycle of the management process and improves planning in the next cycle. Hence, the correct option is (D).

Quick Tip to Solve: Look for comparison, corrective action and feedback to the next plan: these indicate controlling.

9. Providing job security and pension plan, etc. will satisfy which of the following needs of employees ?

[1 mark]

(A) Basic physiological needs

(B) Safety/Security needs

(C) Belongingness needs

(D) Esteem needs

Correct Answer: (B) Safety/Security needs

Solution:

Concept:

- Maslow classifies human needs into physiological, safety/security, belongingness, esteem and self-actualisation needs.
- Safety/security needs include protection from threats to continued employment and future income.

Step 1: Identify the protection provided Job security reduces fear of losing employment and regular income. A pension plan provides financial protection after retirement. Both benefits address uncertainty about an employee's future economic position.

Step 2: Eliminate the other categories Basic physiological needs concern food, shelter and other necessities. Belongingness concerns affection, acceptance and friendship, while esteem concerns respect, recognition and status. Neither social acceptance nor recognition is the direct purpose of the benefits named.

Step 3: Conclusion Job security and pension plans satisfy safety/security needs. Hence, the correct option is (B).

Quick Tip to Solve: When a benefit protects continued income or life after retirement, associate it with safety/security needs.

10. Statement I : Financial planning is essentially the preparation of financial blueprint of an organisation's future operations.

Statement II : Financial planning is done only for long-term and focuses on capital expenditure programmes only.

Choose the correct option from the options given below :

[1 mark]

(A) Statement I is true and Statement II is false.

(B) Statement II is true and Statement I is false.

(C) Both the statements are true.

(D) Both the statements are false.

Correct Answer: (A) Statement I is true and Statement II is false.

Solution:

Concept:

- Financial planning prepares a financial blueprint for an organisation's future operations.

- It estimates financial requirements and suitable sources over both long-term and short-term periods.

Step 1: Evaluate Statement I Statement I is true. Financial planning translates expected operations into estimates of funds required and the sources from which these funds will be obtained. This financial blueprint helps ensure that funds are available when needed.

Step 2: Evaluate Statement II and choose the combination Statement II is false because the word "only" wrongly restricts financial planning. It includes long-term investment and capital expenditure plans, but also short-term requirements such as working capital and cash needs. Therefore, options (B), (C) and (D) give an incorrect truth value for at least one statement.

Step 3: Conclusion Statement I is true and Statement II is false. Hence, the correct option is (A).

Quick Tip to Solve: Check restrictive words such as "only": financial planning covers both long-term investment and short-term fund requirements.

11. Which of the following is not a factor affecting price of a product or service ? [1 mark]

(A) Product cost

(B) Extent of competition in the market

(C) Government and legal regulations

(D) Standardization and Grading

Correct Answer: (D) Standardization and Grading

Solution:

Concept:

- Pricing determines the amount a buyer pays for a product or service.
- Product cost, market competition and government/legal regulation are factors influencing price determination.

Step 1: Check the recognised pricing factors Product cost influences the price needed to cover expenditure and earn a return. Competition limits the price a seller can charge relative to rival offerings. Government and legal regulations may control prices or impose conditions on pricing. Thus, options (A), (B) and (C) are pricing factors.

Step 2: Identify the separate marketing function Standardisation establishes product specifications such as size or quality. Grading classifies products into groups based on their characteristics. In the NCERT classification, these are marketing functions rather than a listed factor in price determination.

Step 3: Conclusion Standardization and Grading is not a listed factor affecting price determination. Hence, the correct option is (D).

Quick Tip to Solve: For a negative pricing MCQ, separate factors used to determine price from other marketing functions such as standardisation and grading.

12. Ashita works in a company where her basic task is to integrate diverse elements and co-ordinate the activities of different departments according to the overall objectives of the organisation. At which level of management is Ashita working ? [1 mark]

(A) Top level management

(B) Middle level management

(C) Supervisory level management

(D) Both (b) and (c)

Correct Answer: (A) Top level management

Solution:

Concept:

- Top management is responsible for overall organisational objectives and the integration of diverse activities.
- Middle management implements top-level plans within departments; supervisory management oversees day-to-day operational work.

Step 1: Use the organisational scope of the task Ashita integrates "diverse elements" and coordinates "different departments according to the overall objectives". These expressions indicate an organisation-wide responsibility, characteristic of top-level management.

Step 2: Distinguish the remaining levels Middle-level managers interpret policies, prepare departmental plans and coordinate their own departments. Supervisors directly guide workers and monitor operations. Neither level has the overall integration responsibility stated in the case, so the combined middle-and-supervisory option is also unsuitable.

Step 3: Conclusion Ashita is working at the top level of management. Hence, the correct option is (A).

Quick Tip to Solve: Use the scope of responsibility: integrating departments for overall organisational objectives points to top management.

13. Match the features of planning given in Column I with their respective explanation given in Column II.

Column I	Column II
A. Planning is a mental exercise	(i) Planning involves thorough examination and evaluation of each alternative and choosing the most appropriate one
B. Planning is all-pervasive	(ii) Planning is required at all levels of management as well as in all departments of the organisation
C. Planning involves decision-making	(iii) Planning requires logical and systematic thinking rather than guess work or wishful thinking

[1 mark]

(A) A-(i), B-(ii), C-(iii)

(B) A-(iii), B-(ii), C-(i)

(C) A-(ii), B-(iii), C-(i)

(D) A-(i), B-(iii), C-(ii)

Correct Answer: (B) A-(iii), B-(ii), C-(i)

Solution:

Concept:

- Planning is a mental exercise because it requires logical and systematic thinking.
- Planning is all-pervasive because all management levels and departments need it; decision-making requires evaluating and selecting alternatives.

Step 1: Match mental exercise and all-pervasive Feature A matches (iii): logical, systematic thought rather than guesswork describes planning as a mental exercise. Feature B matches (ii): its requirement at every level and in every department makes planning all-pervasive.

Step 2: Match decision-making and check the codes Feature C matches (i): examining alternatives and selecting the most appropriate one is decision-making. The full sequence is A-(iii), B-(ii), C-(i). Option (A) interchanges mental exercise and decision-making; (C) and (D) incorrectly link all-pervasiveness with mental exercise.

Step 3: Conclusion The correct matching is A-(iii), B-(ii), C-(i). Hence, the correct option is (B).

Quick Tip to Solve: Match the distinctive words first: thinking means mental exercise, all levels means all-pervasive, and selecting alternatives means decision-making.

14. Which of the following is not a disadvantage of functional structure of organisation ? [1 mark]

(A) Less emphasis on overall enterprise objectives than the objectives pursued by a functional head.

(B) A conflict of interests may arise when the interests of two or more departments are not compatible.

(C) May lead to increase in costs since there may be duplication of activities across products.

(D) It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments.

Correct Answer: (C) May lead to increase in costs since there may be duplication of activities across products.

Solution:

Concept:

- A functional structure groups jobs by specialised functions such as production, marketing and finance.
- A divisional structure groups activities around products and may duplicate functions across its product divisions.

Step 1: Locate the duplication described Option (C) refers to duplication of activities "across products". This occurs when separate product divisions each maintain similar functional resources. It is a disadvantage of divisional structure rather than functional structure, which promotes functional specialisation.

Step 2: Confirm why the other options are disadvantages In a functional structure, managers may emphasise departmental objectives over enterprise goals, as in (A). Departments can develop incompatible interests, as in (B). Exchanging information across specialised departments can also cause coordination difficulties, as in (D). These are recognised disadvantages of functional structure.

Step 3: Conclusion An increase in costs due to duplication of activities across products is not a disadvantage of functional structure. Hence, the correct option is (C).

Quick Tip to Solve: Duplication across products signals divisional structure; departmental rivalry and coordination problems signal functional structure.

15. The picture given below depicts important information related to a decision that a marketer has to take in the area of product.

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

Manufacturing Date : 10/3/23	Organic Honey :	Quantity : 500 ml
Expiry Date : 10/3/25		No added sugar 100% pure
Max. Retail Price : ₹ 500		Manufacturer : Organic Agro products ---------- Uttarakhand

(A) Branding

(B) Labelling

(C) Packaging

(D) None of the above

Correct Answer: (B) Labelling

Solution:

Concept:

- Labelling means designing and displaying a label on a product or its package. A label identifies the product and communicates descriptive information to the buyer.
- The information can include quantity, manufacturer, manufacturing and expiry dates, price and product characteristics.

Step 1: Identify the information in the picture The honey illustration gives the manufacturing and expiry dates, maximum retail price, quantity, manufacturer and the claim 'No added sugar 100% pure'. These details inform a buyer about the contents and use of the product, which is the descriptive function of a label.

Step 2: Distinguish the other product decisions Branding gives a product a distinctive name, symbol or identity. Packaging concerns designing the container or wrapper that holds and protects it. Although the label may appear on a package and contain a brand name, the decision highlighted by the detailed information is labelling. Thus neither branding nor packaging is the best answer; the last option is also excluded.

Step 3: Conclusion The information displayed illustrates labelling. Hence, the correct option is (B).

Quick Tip to Solve: When a product illustration lists dates, price, quantity and manufacturer, identify labelling rather than the container itself.

16. From 2003, all transactions in securities are to be settled within two days after the trade date. This system is known as : [1 mark]

(A) Rolling settlement system

(B) Rotational settlement system

(C) Automatic settlement system

(D) Mutual settlement system

Correct Answer: (A) Rolling settlement system

Solution:

Concept:

- A rolling settlement settles each trading day's transactions after a specified number of working days from the trade date.
- In the system described in the question, settlement follows the T+2 cycle, where T denotes the trade date.

Step 1: Identify the settlement cycle The question specifies settlement within two days after the trade date. The trade date is the starting point for calculating the settlement deadline, so each day's trades move through a fixed T+2 settlement cycle.

Step 2: Select the recognised term This is called the rolling settlement system because settlement rolls forward with each trading day. Rotational settlement, automatic settlement and mutual settlement are not the recognised names of the stated securities settlement cycle. The word automatic does not explain the specific time interval after trading.

Step 3: Conclusion The stated two-day settlement cycle is the rolling settlement system. Hence, the correct option is (A).

Quick Tip to Solve: Translate the stated interval into T+2: a fixed settlement lag counted from each trade date indicates rolling settlement.

17. 'Managing public opinion of an organisation is an important task performed by the marketing department.' It is included under which of the following element of marketing mix ? [1 mark]

(A) Product mix

(B) Place mix

(C) Price mix

(D) Promotion mix

Correct Answer: (D) Promotion mix

Solution:

Concept:

- Promotion mix consists of the communication tools used to inform and persuade customers and develop a favourable image of an organisation.
- Public relations is a promotion tool concerned with maintaining favourable public opinion and

good relations with the organisation's public.

Step 1: Identify the marketing activity The expression 'Managing public opinion of an organisation' describes public relations. This activity shapes how people view the organisation and helps build a favourable corporate image through communication.

Step 2: Place public relations within the marketing mix Public relations belongs to promotion mix. Product mix concerns the goods and their features, branding and related decisions; place mix concerns distribution and availability; price mix concerns what buyers pay. None of these three directly denotes management of public opinion, so the appropriate element is promotion.

Step 3: Conclusion Managing public opinion is a public relations activity within promotion mix. Hence, the correct option is (D).

Quick Tip to Solve: Associate public image and public relations with promotion; associate movement of goods to customers with place.

18. Which of the following consumer rights under Consumer Protection Act, 2019 gives the freedom to consumers to access variety of products at competitive prices ? [1 mark]

(A) Right to be informed

(B) Right to be assured/Right to choose

(C) Right to consumer education

(D) Right to be heard

Correct Answer: (B) Right to be assured/Right to choose

Solution:

Concept:

- The right to be assured, also called the right to choose, ensures access to a variety of goods and services at competitive prices.
- A consumer should be able to compare available alternatives and choose a product suited to personal needs and purchasing power.

Step 1: Match the defining words The question highlights the freedom to access a variety of products at competitive prices. Availability of alternatives and freedom of selection directly describe the right to be assured or the right to choose.

Step 2: Eliminate the other rights The right to be informed concerns obtaining accurate product information such as quality, quantity, ingredients and price. Consumer education concerns knowledge of consumer rights and remedies. The right to be heard concerns having consumer interests and complaints considered. These rights support consumers, but they do not specifically name the freedom to choose among competing products.

Step 3: Conclusion The consumer right described is the right to be assured or right to choose. Hence, the correct option is (B).

Quick Tip to Solve: Use the key distinction: alternatives and competitive prices mean choose; product details mean informed; complaints mean heard.

19. Which of the following statements is Incorrect with respect to Autocratic Leadership style ?

[1 mark]

(A) Subordinates are expected to obey the orders of the leader.

(B) An autocratic leader does not wish to be contradicted.

(C) Subordinates are given high degree of independence.

(D) Quick decision-making is facilitated.

Correct Answer: (C) Subordinates are given high degree of independence.

Solution:

Concept:

- An autocratic leader centralises decision-making, gives orders and expects subordinates to obey them.
- A high degree of independence is characteristic of free-rein leadership rather than autocratic leadership.

Step 1: Identify the contradictory statement The question asks for the incorrect statement. Under autocratic leadership, subordinates do not enjoy a high degree of independence because the leader retains authority and closely directs their work. Therefore the statement in option (C) contradicts this style.

Step 2: Check the remaining statements Expecting obedience to orders is consistent with autocratic leadership. Such a leader does not generally welcome contradiction, which makes option (B) consistent too. Concentration of decision-making authority can facilitate quick decisions because extended consultation is unnecessary. Hence options (A), (B) and (D) are valid characteristics and cannot answer a question asking for the incorrect one.

Step 3: Conclusion Giving subordinates a high degree of independence is incorrect for autocratic leadership. Hence, the correct option is (C).

Quick Tip to Solve: Circle the word incorrect first; then compare centralised control in autocratic leadership with independence in free-rein leadership.

20. _____ is a standing plan.

[1 mark]

(A) Rule

(B) Budget

(C) Programme

(D) Strategy

Correct Answer: (A) Rule

Solution:

Concept:

- A standing plan guides activities that occur repeatedly over a period of time. Rules, methods, procedures and policies are examples.

- A rule specifies what must or must not be done in a given situation, leaving no discretion in its application.

Step 1: Identify the repeated-use plan A rule is used whenever the situation to which it applies arises. For example, a rule prohibiting smoking in a workplace applies repeatedly rather than ending after one particular project. It is therefore a standing plan.

Step 2: Distinguish the remaining plans A budget is a statement of expected results expressed numerically, while a programme is a detailed plan for a specific undertaking; these are treated as single-use plans in this classification. A strategy is a comprehensive plan relating objectives, courses of action and resource allocation. Among the given options, rule is the standard example of a standing plan.

Step 3: Conclusion A rule is a standing plan. Hence, the correct option is (A).

Quick Tip to Solve: For standing plans, look for repeated guidance: policies, procedures, methods and rules. Budgets and programmes address specific undertakings.

21. Ananta Ltd. is a firm manufacturing electronic goods. To increase its sales and earn profits, its General Manager, Kamal is thinking in advance what to do and how to do it. He is also preparing forecasts to reduce the risk of uncertainty and to achieve its targets.

By doing so Kamal is performing an important function of management.

Identify and state the function of management highlighted above. Also state any two points of importance of this function. [3 marks]

Solution:

Concept:

- Planning means setting objectives for a given period, formulating alternative courses of action and selecting the best course to achieve those objectives.
- It is the management function concerned with deciding in advance what to do and how to do it; it bridges the gap between the present position and the desired future position.

Step 1: Identify the function from Kamal's actions The function is **planning**. Kamal is "thinking in advance what to do and how to do it". His desired results are increased sales and profits, and he is preparing forecasts to achieve the firm's targets. Thus, he is deciding the future course of action before employees carry it out, rather than merely checking work already completed.

Step 2: State two points of importance

- **Planning provides directions:** By stating objectives in advance, planning makes clear what employees and departments have to achieve. Their efforts can be directed towards the same targets instead of working without a common purpose. In Ananta Ltd., the sales and profit objectives give a direction to future activities.
- **Planning reduces the risks of uncertainty:** Planning requires managers to look ahead and anticipate possible changes or events. Forecasts help them prepare responses to changing circumstances and reduce the impact of uncertainty. Kamal's forecasts serve this purpose; they do not eliminate

every future risk.

Step 3: Conclusion Kamal is performing planning: deciding objectives and the course of action in advance. It provides direction to the firm's efforts and reduces the risks of uncertainty through anticipation and preparation.

Quick Tip to Solve: Link "what to do and how to do it in advance" to planning, and use the forecasts in the case to explain reduction of uncertainty.

22(a). Explain the first two steps in the process of 'controlling' function of management. [3 marks]

Solution:

Concept:

- Controlling ensures that activities conform to plans by comparing actual performance with standards and correcting significant deviations.
- The first two steps are setting performance standards and measuring actual performance. Comparison with standards follows these two steps.

Step 1: Set performance standards **Setting performance standards:** Standards are the criteria against which actual performance will be measured. Managers establish them from the organisation's objectives and plans, so employees know the expected level of performance. Standards should be clear, realistic and measurable as far as possible. Quantitative standards may specify output, cost, sales or time, such as producing a stated number of units within a month. Where numerical measurement is difficult, qualitative standards can specify the expected quality of service or employee conduct. Standards must also be flexible enough to reflect relevant changes in conditions.

Step 2: Measure actual performance **Measurement of actual performance:** Managers next determine what has actually been achieved, using appropriate and reliable methods such as personal observation, sample checking and performance reports. Performance should preferably be measured objectively in the same units in which the standards were set. For example, if the standard is monthly output in units, actual output for that month should also be recorded in units. Measurement may take place during work or after completion, depending on the activity; timely measurement helps management detect problems before losses become serious.

Step 3: Conclusion The controlling process begins by establishing the expected performance through standards and then obtaining reliable measurements of actual performance. These provide the basis for the subsequent comparison and corrective action.

Quick Tip to Solve: Keep the order clear: first decide what performance is expected, then measure what happened; comparing the two is the next step.

OR

22(b). Explain any two features of 'directing' function of management. [3 marks]

Solution:

Concept:

- Directing is the process of instructing, guiding, counselling, motivating and leading people in an organisation to achieve its objectives.
- Unlike the preparatory functions of planning, organising and staffing, directing puts people into action. It operates wherever managers guide subordinates.

Step 1: Explain how directing initiates action **Directing initiates action:** Directing is the function that starts the execution of work. Plans identify what must be achieved, organising arranges tasks and authority, and staffing places suitable people in positions. These preparations do not by themselves ensure that work begins. Through instructions, guidance, motivation and leadership, managers induce employees to carry out their assigned duties. For example, once a sales target and team have been established, the manager guides the team on how to approach customers and encourages members to begin their efforts towards the target.

Step 2: Explain its presence at every management level **Directing takes place at every level of management:** Every manager performs directing while supervising and guiding subordinates. It is therefore not restricted to the top management or to a single department. Top managers direct middle managers, middle managers guide lower-level managers, and supervisors direct workers engaged in operating activities. The scope of authority and the nature of the instructions differ at each level, but the need to guide people towards organisational objectives exists at all levels. Thus, directing runs throughout the managerial hierarchy.

Step 3: Conclusion Two features of directing are that it initiates action by getting employees to execute work and that it takes place at every level where a manager guides subordinates.

Quick Tip to Solve: For features of directing, explain what makes the function distinctive: it starts work and is performed by managers throughout the hierarchy.

23. 'Burgers and Fudge' was among the first fast food chains in India which pioneered the concept of family-style restaurants. However, over the years it started losing business to multinational food chains like McDonalds and Pizza Hut, etc. and soon had to shut down.

The reason to shut down was the inability of managers to identify, understand, evaluate and to react to the forces external to their firm.

In the light of the above situation, explain with the help of any two points, how understanding of business environment is important for managers. [3 marks]

Solution:

Concept:

- Business environment means the external forces and institutions that affect a firm's performance, including competitors, customers and technological changes.

- Understanding these forces helps managers recognise threats early and respond to change before the firm's competitive position deteriorates.

Step 1: Identify threats and obtain early warning signals **Identifying threats and early warning signals:** Threats are external developments that can hinder a firm's performance. Knowledge of the business environment alerts managers to them in time to take preventive action. In the case, Burgers and Fudge "started losing business to multinational food chains like McDonalds and Pizza Hut". Monitoring the entry and growth of these competitors would have warned its managers about the threat and allowed them to strengthen their competitive response before losses became serious.

Step 2: Cope with rapid changes in the market **Coping with rapid changes:** Business conditions change through new competitors, changing consumer preferences and new ways of serving customers. Understanding the environment helps managers evaluate these changes and modify their operations and strategies accordingly. Here, the stated inability "to identify, understand, evaluate and to react to the forces external to their firm" prevented an effective response. Environmental awareness would have helped managers adapt their restaurant offering and service to the changing competitive situation instead of continuing without an adequate response.

Step 3: Conclusion Understanding the business environment gives managers early warning of competitive threats and helps them cope with rapid changes. These two benefits could have supported a timely response to the forces that caused Burgers and Fudge to lose business.

Quick Tip to Solve: In a case about a business losing customers to new competitors, connect threat identification with an early warning, and coping with change with the response managers should make.

24(a). State any three benefits of 'staffing' function of management to the organisation. [3 marks]

Solution:

Concept:

- Staffing is the management function of finding the right people for the right jobs and developing them so that organisational work is performed effectively.
- Proper staffing benefits the organisation by discovering competent personnel, matching people with jobs and improving their performance through development.

Step 1: Obtain competent people for organisational roles **Discovering and obtaining competent personnel:** Staffing identifies the organisation's manpower needs and attracts and selects people with the required knowledge, skills and abilities. It makes suitable talent available for the different jobs instead of leaving important positions vacant or filling them without regard to competence.

Step 2: Match employees to the work they can perform best **Higher performance through the right person in the right job:** Proper selection and placement ensure that the demands of each job match the employee's abilities. A person who is suited to the work can perform it more efficiently and effectively, helping the organisation achieve its objectives with fewer avoidable errors.

Step 3: Develop employees and improve their performance **Continuous development of personnel:** Staffing includes training and development rather than ending with recruitment. These activities build employees' capabilities and prepare them for changing responsibilities. The resulting improvement in

competence helps the organisation sustain efficient performance and meet its future human resource requirements.

Step 4: Conclusion Three benefits of staffing to the organisation are obtaining competent personnel, securing higher performance by placing the right person in the right job, and continuously developing employees to meet present and future requirements.

Quick Tip to Solve: Keep the beneficiary in view: for organisational benefits of staffing, explain how recruitment, placement and development improve the firm's ability to perform its work.

OR

24(b). State any three benefits of training to employees. [3 marks]

Solution:

Concept:

- Training systematically improves an employee's knowledge and skills for a particular job. Its benefits to employees concern their growth, earning ability, safety and satisfaction.
- Benefits to employees should be distinguished from benefits to the organisation, such as reduced supervision costs or increased total output.

Step 1: Explain the opportunity for career growth **Improved skills and career prospects:** Training increases the employee's knowledge and competence. Better skills prepare the employee to handle more demanding work and greater responsibilities. This improves career prospects and creates opportunities for advancement rather than leaving the employee limited to the abilities possessed at the time of appointment.

Step 2: Relate better performance to earning capacity **Higher earnings:** Training helps employees perform their jobs more efficiently and improves the quality and quantity of their work. Better performance can enable them to earn more, particularly where remuneration or incentives are linked to performance. Thus, the employee can obtain a personal economic benefit from the improved productivity that training makes possible.

Step 3: State the benefit of safer working **Reduced risk of accidents:** Training teaches employees the proper way to handle equipment, machines and other job requirements. Knowledge of correct procedures and safety precautions reduces mistakes and the likelihood of accidents. This protects the employee from avoidable injury and gives greater confidence while carrying out the assigned work.

Step 4: Conclusion Three benefits of training to employees are better career prospects through improved skills, the possibility of higher earnings through better performance, and reduced risk of accidents through safer working practices.

Quick Tip to Solve: For benefits of training to employees, use personal outcomes such as career growth, higher earnings and safety; do not replace them with organisational outcomes such as lower production costs.

25. Pallavi started a wedding planner company 'Dreams Unlimited' in 2016 and her target was to be amongst the top 10 companies in this field within the next three years. For this she employed people having different skills. She worked hard and united the efforts of different people to achieve this goal. The requirements of the customers in this industry changed very fast and the company adapted to keep pace with the changing environment. As planned, the company achieved its target within three years. All the employees of the organisation were happy and satisfied and the effect of management was noticeable in the organisation.

The way Pallavi was managing her business highlights some of the features of management. By quoting lines from the above paragraph, explain any two such features. [4 marks]

Solution:

Concept:

- Management is a goal-oriented process: it directs the activities of people towards the specific objectives of their organisation.
- Management is a dynamic function: managers adapt the organisation and its activities to changes in its business environment.

Step 1: Explain management as a goal-oriented process **Management is a goal-oriented process.** The relevant line is: "her target was to be amongst the top 10 companies in this field within the next three years." Another supporting line is: "As planned, the company achieved its target within three years." An organisation is established to achieve particular objectives. Management combines and directs individual efforts towards those common objectives, rather than allowing employees to work without a shared purpose. Pallavi set a specific target for Dreams Unlimited, gave it a time frame and organised people's work towards achieving it. The stated target and its achievement therefore demonstrate the goal-oriented nature of management.

Step 2: Explain management as a dynamic function **Management is a dynamic function.** The relevant line is: "The requirements of the customers in this industry changed very fast and the company adapted to keep pace with the changing environment." An organisation interacts with an environment in which customer preferences, technology and other conditions keep changing. Management must modify the organisation's activities in response to such changes so that it continues to serve its customers and meet its objectives. In this case, customer requirements in the wedding-planning industry were changing rapidly. The company's adaptation to those requirements shows that its management responded to the environment instead of continuing with an unchanging approach.

Step 3: Conclusion The two features are **management is a goal-oriented process**, shown by the time-bound top-ten target, and **management is a dynamic function**, shown by adaptation to changing customer requirements.

Quick Tip to Solve: For a case-based feature question, pair each NCERT feature with an exact supporting line, then explain how the line demonstrates it.

26(a). Explain any two features of 'motivation' as an element of directing function of management.

[4 marks]

Solution:

Concept:

- Motivation means stimulating people to take action to accomplish desired goals. It is an element of directing that influences employees' willingness to work.
- A motive is an internal need, desire or urge that prompts action; an incentive is a stimulus used to encourage the desired behaviour.

Step 1: Explain motivation as an internal feeling **Motivation is an internal feeling.** The urge to act originates within an individual in the form of needs, desires, aspirations and expectations. A person who feels a need seeks to satisfy it, and this need produces the drive to behave in a particular way. A manager can offer incentives or create supportive conditions, but the willingness to respond ultimately arises within the employee. For example, an employee's desire for recognition can prompt greater effort when the organisation offers opportunities to earn appreciation. The appreciation is the external stimulus; the employee's desire for recognition is the internal source of motivation.

Step 2: Explain motivation as goal-directed behaviour **Motivation produces goal-directed behaviour.** Motivation does more than generate activity: it channels an individual's effort towards a desired result. An unsatisfied need gives the individual a purpose, and the person acts to attain a goal that can satisfy that need. Managers therefore connect employees' needs with the organisation's objectives through suitable incentives. For example, a salesperson who wants a performance bonus may make greater efforts to achieve the sales target. The employee works towards earning the bonus while the organisation benefits from higher sales. Thus motivation gives behaviour both energy and direction, helping individual and organisational goals to be achieved together.

Step 3: Conclusion Two features of motivation are that it is an **internal feeling** arising from needs and desires, and that it **produces goal-directed behaviour** by directing effort towards the satisfaction of those needs.

Quick Tip to Solve: Distinguish the source from the direction: internal needs explain why an employee acts, while goal-directed behaviour explains what the effort aims to achieve.

OR

26(b). Explain the following as elements of communication process :

(i) Message

(ii) Encoding

(iii) Media

(iv) Decoding [4 marks]

Solution:

Concept:

- Communication is the process of exchanging information and understanding between people. A sender must express an idea in a form that a receiver can understand.
- Message, encoding, media and decoding connect the sender's intention with the receiver's interpretation. Effective communication requires the interpreted meaning to agree with the intended meaning.

Step 1: Explain the information and its expression **(i) Message:** The message is the content of the communication: the idea, feeling, suggestion, order or information that the sender wants to convey. For example, a manager's instruction to complete an order by Friday is the message. It must be clear enough for the receiver to know what action is expected.

(ii) Encoding: Encoding is the process of converting the message into communication symbols, such as words, pictures or gestures. The sender selects symbols that express the intended idea. In the example, putting the instruction into the words of an email is encoding; the words should be familiar to the employee.

Step 2: Explain transmission and interpretation **(iii) Media:** Media means the path or channel through which the encoded message is transmitted from sender to receiver. It may be a face-to-face conversation, telephone call, letter or email. The sender selects a suitable medium according to the message and the situation; an email can carry the written instruction in this example.

(iv) Decoding: Decoding is the process of converting the encoded symbols into a meaning understood by the receiver. The employee reads and interprets the email to understand the work and its deadline. Correct decoding depends on understanding the language and symbols used; merely receiving the email does not establish that its meaning has been understood.

Step 3: Conclusion The message is the intended content; encoding gives it symbolic form; media carries it; and decoding enables the receiver to interpret it. These are distinct elements of the communication process.

Quick Tip to Solve: Follow one instruction from idea to understanding: content is the message, expression is encoding, the route is media, and interpretation is decoding.

27. Explain the following as factors affecting the working capital requirements of a business :

(i) Nature of business

(ii) Credit availed [4 marks]

Solution:

Concept:

- Working capital finances day-to-day business operations, including holding stocks and meeting operating payments while money is tied up in the operating cycle.
- Its requirement depends on how much money must remain invested in current assets and how far operating needs are financed by short-term liabilities such as suppliers' credit.

Step 1: Explain the effect of the nature of business **(i) Nature of business:** The basic nature of a business influences its working capital requirement. A trading business usually needs less working capital than a manufacturing business because it purchases finished goods for resale rather than processing raw materials. It therefore does not normally have funds tied up in raw materials and work-in-progress during a production process.

A manufacturing business generally needs more working capital because funds are invested in raw materials, work-in-progress and finished goods, and operating expenses must be paid before sale proceeds are received. Service businesses generally require still less working capital since they ordinarily do not need to maintain inventories of goods. Thus, other things being equal, the greater the funds tied up in the operating activities characteristic of the business, the greater its working capital requirement.

Step 2: Explain the effect of suppliers' credit **(ii) Credit availed:** Credit availed refers to the credit allowed to the business by suppliers for purchases. If suppliers permit a longer credit period, the firm can buy materials or goods now and pay later. Suppliers then finance part of the operating cycle, reducing the funds that the firm itself must arrange for working capital.

Conversely, if suppliers allow little or no credit and purchases must be paid for promptly or in cash, more of the firm's own funds remain tied up before sales generate cash. Its working capital requirement therefore increases. Credit availed must be distinguished from credit allowed to customers: longer supplier credit reduces the requirement, whereas a longer collection period from customers generally increases it.

Step 3: Conclusion Manufacturing businesses generally need more working capital than trading or service businesses. Greater credit availed from suppliers reduces the working capital funds that the business must arrange; less supplier credit increases them.

Quick Tip to Solve: Ask who finances the operating cycle: stocks and production tie up funds, while a longer period to pay suppliers releases the firm's own working capital funds.

28(a). State any four objectives of 'Securities and Exchange Board of India'. [4 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) is the regulator of the securities market. Its objectives combine investor protection with the orderly development and regulation of this market.
- A sound securities market needs transparent dealings and fair conduct by intermediaries. Regulation seeks to maintain investors' confidence while allowing the market to mobilise savings for productive investment.

Step 1: State the objectives concerning the market and investors

- **Regulate and promote orderly functioning:** SEBI aims to regulate stock exchanges and the securities industry so that their activities proceed in an orderly manner. This objective supports the healthy growth and development of the securities market rather than allowing disorderly or unregulated dealings.
- **Protect investors' rights and interests:** SEBI seeks to safeguard investors, particularly individual investors, against exploitation. It also guides and educates them so that they understand securities-market dealings and can make informed investment decisions.

Step 2: State the objectives concerning trading and intermediaries

- **Prevent trading malpractices:** SEBI aims to prevent unfair practices in securities trading. It seeks a balance between self-regulation by the securities industry and statutory regulation, so that participants act responsibly while remaining subject to legal safeguards.
- **Develop fair conduct by intermediaries:** SEBI aims to regulate and develop a code of conduct and fair practices for intermediaries such as brokers and merchant bankers. Ethical and responsible conduct by these participants helps the securities market function competitively and efficiently.

Step 3: Conclusion The four objectives are orderly regulation and development of the securities market, protection and education of investors, prevention of trading malpractices, and development of fair conduct among market intermediaries.

Quick Tip to Solve: Organise SEBI's objectives around four targets: the market, investors, trading practices and intermediaries. State an objective for each to avoid repeating investor protection in several forms.

OR

28(b). State any four functions of Stock Exchange. [4 marks]

Solution:

Concept:

- A stock exchange is an institution that provides a platform for buying and selling existing securities. It is a secondary market: trading generally transfers securities between investors rather than issuing new securities for a company.

- An organised secondary market provides liquidity, helps determine security prices, supports safer transactions and contributes to economic growth through the allocation of investment funds.

Step 1: State the functions that facilitate investment decisions

- **Provide liquidity and marketability:** A stock exchange creates a continuous market in which existing securities can be bought and sold. Investors can convert their securities into cash when needed, subject to market conditions, instead of having to hold them indefinitely. This ability makes investment in securities more attractive.
- **Determine the prices of securities:** The interaction of demand and supply on the exchange helps establish security prices. These market prices provide information to buyers and sellers and assist them in assessing the value of their investments and making trading decisions.

Step 2: State the functions that support safe dealings and economic growth

- **Ensure safety of transactions:** Dealings on a stock exchange take place within a regulated framework. Listed companies and market participants must observe prescribed requirements and trading rules. This framework promotes fair dealings and protects investors, although it does not eliminate the risk of a fall in security prices.
- **Contribute to economic growth:** Securities of different companies are traded and their investment prospects are evaluated. This process encourages funds to move towards productive investment opportunities. The liquidity of the secondary market also makes investors more willing to subscribe to securities, supporting capital formation and economic growth.

Step 3: Conclusion Four functions of a stock exchange are providing liquidity and marketability to existing securities, determining their prices, supporting the safety of transactions, and contributing to economic growth through productive allocation of investment funds.

Quick Tip to Solve: Recall the sequence: sell when needed, discover a market price, trade under rules and channel investment productively. Do not describe issuing new shares as the exchange's secondary-market function.

29. Ankush bought a high end microwave on Diwali from a leading electronic store. The microwave had ISI mark and Ankush diligently went through the instruction manual so that he could use it properly. However, due to faulty wiring there was a short-circuit in the microwave. He called up the consumer helpline of the company many times but no solution was provided by the company. Ankush now decided to file a case in the consumer court.

(a) Identify and explain the right which Ankush will exercise.

(b) State two responsibilities which Ankush had fulfilled while purchasing and using the microwave.

[4 marks]

Solution:

Concept:

- Consumer Protection: the right to seek redressal gives a consumer a remedy against unfair trade practices, restrictive trade practices and unscrupulous exploitation.
- Consumer rights are accompanied by responsibilities: buyers should choose standardised goods

carrying quality-assurance marks and follow the manufacturer's instructions for safe use.

Step 1: Identify the right exercised by filing the case **(a) Right to seek redressal:** Ankush will exercise this right. The decisive words are "Ankush now decided to file a case in the consumer court" after the company failed to resolve his complaint. The microwave's faulty wiring makes it a defective product, so approaching the consumer redressal machinery seeks a remedy for that defect. Under this right a consumer can obtain appropriate relief when the product or service falls short of reasonable expectations. Depending on the facts, relief can include removal of the defect, replacement of the product, refund of the price, or compensation for loss or injury suffered. Ankush is seeking redress for an unresolved grievance.

Step 2: Relate each fulfilled responsibility to the case **(b) Purchase standardised goods:** Consumers should buy products bearing recognised quality-assurance marks, such as the ISI mark on electrical appliances. Ankush fulfilled this responsibility because "The microwave had ISI mark". He selected a product carrying the relevant quality mark instead of disregarding product standards.

Learn about risks and follow instructions: Consumers should learn about the risks associated with a product and follow the manufacturer's instructions for its proper and safe use. Ankush fulfilled this responsibility because he "diligently went through the instruction manual so that he could use it properly". This connects his conduct to responsible use of an electrical appliance; the fault described was defective wiring rather than disregard of the manual.

Step 3: Conclusion Ankush will exercise the **right to seek redressal**. The two responsibilities he fulfilled were purchasing a standardised product bearing the ISI mark and reading the instruction manual to use the microwave properly and safely.

Quick Tip to Solve: Connect each answer to a separate case fact: filing a case indicates redressal, a quality mark indicates standardised buying, and the manual indicates responsible use.

30. Srijan, after completing his bachelor's degree in culinary arts from a reputed institute, took over his family restaurant specialising in South Indian dishes. This business was promoted by his grandfather many years back in the form of a company. Now he wants to get the restaurant renovated to open a special section for bakery products. It is estimated that an investment of ₹ 5 crore will be required to execute this plan. At present the cash flow position of the company is not strong and fixed operating costs of business are also high.

Keeping in view the above situation, name with two reasons, the source of finance which Srijan should choose for modernization and expansion of his business. Also explain one more factor, apart from those stated above which Srijan should keep in mind while taking this decision. [4 marks]

Solution:

Concept:

- Financial Management: the financing decision determines the sources from which long-term funds are raised. A company can use owners' funds, such as equity share capital, and borrowed funds, such as loans or debentures.
- Debt involves fixed interest payments and repayment commitments, whereas equity dividends are

not an obligatory fixed charge. The financing mix should suit the firm's cash flows, operating risk and other relevant circumstances.

Step 1: Select the suitable source of finance Srijan should raise **equity share capital** for the company's modernisation and expansion. The company can issue equity shares to obtain the required long-term owners' funds. The investment is for renovation and a bakery section, so it requires long-term finance rather than a short-term borrowing arrangement to meet a permanent investment need.

Step 2: Explain the two reasons given by the situation **Weak cash-flow position:** The case states that "the cash flow position of the company is not strong". Debt would require interest payments and repayment of the principal according to the borrowing terms, even when cash receipts are weak. Equity has no compulsory fixed dividend payment or repayment obligation like debt, so it does not impose the same scheduled cash burden.

High fixed operating costs: The case also states that "fixed operating costs of business are also high". These costs already create business risk because they must be met even when sales decline. Adding fixed financial charges through debt would raise the company's overall risk further. Equity avoids an additional fixed interest burden and is therefore more appropriate in this situation.

Step 3: Explain an additional factor affecting the decision **Control considerations:** Srijan should consider how the choice will affect control of the company. Fresh equity shares carry voting rights; issuing them to new shareholders may dilute the existing shareholders' voting power and control. Debt normally does not confer voting rights on lenders. Thus, although equity suits the weak cash flows and high operating risk, Srijan should assess the dilution of his family's control before deciding the size and terms of the equity issue. Control is an additional consideration, separate from the two financial conditions stated in the case.

Step 4: Conclusion **Equity share capital** is suitable because weak cash flows make fixed debt commitments difficult and high operating costs already create substantial business risk. Srijan should also consider the possible dilution of the existing owners' control when issuing new equity shares.

Quick Tip to Solve: Weak cash flows and high fixed operating costs both favour equity. For an additional factor, explain control dilution rather than repeating either cash flows or operating risk.

31. Abhishek studied management principles and techniques of Henri Fayol and F.W. Taylor when he was in class XII. Now he is trying to apply his knowledge while doing his business. By using different techniques and scientifically analysing work he found one best way of doing the job. By removing unproductive movements of the workers he reduces the time to complete the job. Not only this, to increase productivity and to regain stamina he started giving more rest intervals to his employees. He followed no discrimination policy on account of sex, religion, caste, etc. in his organisation. He ensured that the compensation should be fair to both, employees and the organisation.

Identify and explain any two techniques of scientific management and two principles of general management adopted by Abhishek. [6 marks]

Solution:

Concept:

- Taylor's scientific management replaces arbitrary working practices with techniques based on systematic observation and analysis. Method study chooses the best method, while motion study removes wasteful movements.
- Fayol's principles of equity and remuneration guide the fair treatment and payment of employees. They deal with relations between management and workers rather than the physical method of doing a job.

Step 1: Identify and explain method study **Method study:** The words 'scientifically analysing work he found one best way of doing the job' identify this technique. It determines the best way of performing an operation, from obtaining raw materials to delivering the finished product. Management compares possible methods, including the arrangement of equipment and the sequence of operations, and adopts the method that minimises production cost while making the best use of resources. Thus Abhishek replaces a customary or arbitrary procedure with a scientifically selected method.

Step 2: Identify and explain motion study **Motion study:** The statement 'removing unproductive movements of the workers' identifies motion study. It studies the movements made while performing a job, such as lifting, placing or moving materials. Productive, incidental and unproductive movements are examined so that unnecessary movements can be eliminated. This helps workers perform the task with less effort and in less time, without merely asking them to work faster. These two techniques satisfy the question's request for any two techniques of scientific management.

Step 3: Identify and explain equity **Equity:** Abhishek 'followed no discrimination policy on account of sex, religion, caste, etc.' Fayol's principle requires management to treat employees with kindness and justice. Employees should receive fair and impartial treatment, and managers should avoid discrimination based on personal characteristics. Such treatment encourages loyalty and a sense of belonging. Equity does not mean ignoring differences in performance; it means applying fair standards without prejudice.

Step 4: Identify and explain remuneration of employees **Remuneration of employees:** The words 'compensation should be fair to both, employees and the organisation' identify this principle. The remuneration and method of payment should satisfy employees and remain within the organisation's paying capacity. Employees should receive fair wages that provide a reasonable standard of living, while the business should not bear an unsustainable burden. Fair remuneration helps maintain harmonious relations and supports employees' willingness to contribute to organisational goals.

Step 5: Conclusion The two selected scientific management techniques are **method study** and **motion study**. The two general management principles are **equity** and **remuneration of employees**. Each is identified by the corresponding action described in Abhishek's business.

Quick Tip to Solve: Link 'best way' to method study, 'unnecessary movements' to motion study, 'no discrimination' to equity and 'fair compensation' to remuneration before explaining each term.

32. F.M. Tech Ltd. is one of the leading information technology service provider company in Delhi. To enable smooth functioning of the enterprise, job description and rules and procedures related to work processes are laid down. The company specifies clearly the boundaries of authority and responsibility and there is a systematic co-ordination among the various activities to achieve organisational goals.

(a) Identify and explain the 'Type of organisation' discussed above.

(b) State any two advantages and two limitations of the 'Type of organisation' identified in (a) above. [6 marks]

Solution:

Concept:

- A formal organisation is the structure of authority and responsibility deliberately designed by management to accomplish organisational objectives. It specifies jobs, reporting relationships and the rules governing work.
- Clear responsibility and coordinated effort support orderly performance. However, prescribed channels and rigid rules can delay decisions and restrict employees' initiative.

Step 1: Identify and explain the organisation in part (a) **Formal organisation:** F.M. Tech Ltd. has a formal organisation. Its job descriptions and 'rules and procedures related to work processes' are deliberately laid down. The 'boundaries of authority and responsibility' are also clearly specified. These are planned working relationships created by management, rather than relationships that develop spontaneously through friendship. The structure defines who performs each task, who reports to whom and how different activities are coordinated. It thereby directs the efforts of employees towards the enterprise's goals.

Step 2: State two advantages for part (b) **1. Easier fixation of responsibility:** Formal organisation clearly defines each employee's duties and the authority attached to the position. When work is not completed as required, management can identify the person responsible, reducing ambiguity and avoiding overlapping responsibilities.

2. Effective coordination: Prescribed working relationships and a clear division of activities help employees understand how their work contributes to the whole enterprise. Different departments can integrate their efforts through the established reporting structure, helping achieve organisational goals through orderly and coordinated action.

Step 3: State two limitations for part (b) **1. Procedural delays:** Communication and decisions normally have to follow the prescribed chain of command. Routing a matter through several levels can make action slow, even where a quicker response would be useful. Strict adherence to formal channels can therefore delay the completion of work.

2. Restricted initiative: Rigid rules and clearly specified duties may discourage employees from using their own judgement or proposing a different way to handle a problem. Employees may concentrate on following instructions rather than taking independent action, which can reduce creativity and initiative in unusual situations.

Step 4: Conclusion F.M. Tech Ltd. has a **formal organisation**, deliberately designed to define jobs, authority, responsibility and coordination. Its advantages include clear responsibility and effective coordination; its limitations include procedural delays and restrictions on individual initiative.

Quick Tip to Solve: In an organisation case, planned jobs, rules and authority indicate a formal structure. Answer its advantages and limitations separately, with two distinct headings in each group.

33(a). Explain the steps in the staffing process of management after 'Placement and Orientation'.

[6 marks]

Solution:

Concept:

- Staffing is the managerial function of filling and keeping filled the positions in an organisation structure. Its purpose is to obtain competent people and develop them so that organisational and individual objectives can be achieved.
- Placement assigns the selected employee to a suitable job, while orientation introduces the employee to the organisation and its people. Staffing continues after this initial introduction through development, evaluation, advancement and rewards.

Step 1: Explain training and development **Training and development:** After placement and orientation, employees must receive opportunities to improve their competence. Training develops the knowledge and skills needed to perform the present job efficiently. It helps employees learn the correct methods of working and adapt to changes in equipment or procedures. Development is broader: it improves the employee's overall capabilities and prepares the person for future responsibilities. Thus, staffing does not end with selecting suitable employees; it also enables them to grow with the organisation.

Step 2: Explain performance appraisal **Performance appraisal:** The organisation evaluates an employee's performance against predetermined standards. The employee should know what is expected and the standards on which the assessment is based. Appraisal identifies strengths, weaknesses and areas requiring improvement. Its results provide feedback to employees and help management decide training needs and other personnel actions. The emphasis is on evaluating actual performance systematically rather than relying on a general personal impression.

Step 3: Explain promotion and career planning **Promotion and career planning:** Managers should provide opportunities for employees to advance to positions of greater responsibility. Promotion ordinarily involves a higher position, increased authority and responsibility, and better remuneration or status. Career planning connects employees' growth aspirations with the organisation's future requirements. Clear opportunities for advancement motivate employees to improve their performance and help retain capable personnel. It is therefore necessary to plan progression rather than regard the

initial placement as the employee's permanent limit.

Step 4: Explain compensation **Compensation:** The organisation determines the pay and other rewards for employees. Compensation includes direct financial payments such as wages, salaries, incentives, commissions and bonuses, as well as indirect payments or benefits such as insurance and paid vacations. The compensation system should reflect the demands of the job and relevant differences in employees' contribution while remaining fair. Appropriate rewards help attract, motivate and retain employees, completing the continuing process of keeping positions effectively staffed.

Step 5: Conclusion The staffing steps after placement and orientation are, in order, **training and development, performance appraisal, promotion and career planning, and compensation**. Together they improve employees' capabilities, assess their contribution, provide advancement and reward their work.

Quick Tip to Solve: Remember the post-placement sequence as develop, assess, advance and reward; expand these into the four NCERT staffing steps.

OR

33(b). Explain the steps in the selection process of staffing function of management after 'Reference and Background checks'. [6 marks]

Solution:

Concept:

- Selection is the process of choosing, from the applicants, the person best suited to a job. It involves a series of screening and assessment steps so that the organisation appoints a suitable candidate.
- Reference and background checks verify information about a candidate's experience, character and previous employment. The subsequent stages finalise the selection, confirm medical fitness, communicate the offer and formalise the employment terms.

Step 1: Explain the selection decision **Selection decision:** The final decision is made from among the candidates who have passed the earlier tests, interviews and reference checks. Management considers the information collected throughout the process to choose the candidate most suitable for the position. The manager responsible for the new employee's work should participate in this decision because that manager will be responsible for the employee's performance. This stage converts the results of screening into a final choice; it is distinct from merely conducting another interview.

Step 2: Explain the medical examination **Medical examination:** After the selection decision and before the job offer, the candidate is required to undergo a medical fitness test. The examination establishes whether the candidate is medically fit to perform the duties of the job. A satisfactory medical report is a necessary condition for proceeding to the next stage. It is intended to check fitness for employment, rather than to reassess the professional knowledge or skills already evaluated in the earlier selection stages.

Step 3: Explain the job offer **Job offer:** The selected candidate receives the offer through a letter of appointment. This communicates the organisation's decision to appoint the person and specifies

when the candidate should report for work. The organisation must allow a reasonable reporting time, especially if the candidate needs to give notice to a previous employer. The offer must be accepted by the candidate; selection by the employer alone does not complete the mutual agreement to take up employment.

Step 4: Explain the contract of employment **Contract of employment:** Once the offer is accepted, the candidate and the employer complete the formal employment documentation. The appointment and contract set out the agreed terms and conditions so that both parties understand their obligations. These may include the job title and duties, date of joining, pay and allowances, working hours, leave entitlements, notice period and disciplinary or grievance procedures. Recording the terms clearly reduces misunderstandings about the employment relationship and formally completes the selection process.

Step 5: Conclusion After reference and background checks, the selection process proceeds through **selection decision, medical examination, job offer and contract of employment**, in that order. These stages identify the final candidate, verify fitness and establish the agreed employment relationship.

Quick Tip to Solve: Keep the final sequence clear: decide whom to select, check medical fitness, offer the appointment, then formalise the employment contract.

34(a). Explain the following as functions of marketing :

(i) Marketing Planning

(ii) Product Designing and Development

(iii) Standardisation and Grading [6 marks]

Solution:

Concept:

- Marketing includes activities that identify customer needs and create, communicate and deliver products that satisfy them. Its functions operate together to achieve the firm's marketing objectives.
- Marketing planning sets objectives and programmes; product design and development translates needs into a suitable offering; standardisation and grading help maintain and communicate consistent quality.

Step 1: Explain marketing planning **(i) Marketing planning:** A marketer develops an appropriate marketing plan to achieve the organisation's marketing objectives. This requires analysing opportunities, deciding the objectives and specifying the activities needed to attain them. The plan covers important decisions such as the target market, the product to be offered, pricing, promotion and distribution.

For example, if a firm wants to increase its market share, it must decide the programmes through which it will attract customers and strengthen its position. The plan gives direction to marketing efforts and coordinates the activities rather than leaving them to isolated decisions.

Step 2: Explain product designing and development **(ii) Product designing and development:** The marketer makes decisions about the design and development of the product so that it meets customers' requirements. Design includes the product's shape, size, style and other features that affect

its usefulness and appeal. Development converts the product idea into an offering suitable for the target market.

An attractive and functional design can improve performance, make the product convenient to use and give it a competitive advantage. Thus, design is not merely decoration: it must combine customer preference with utility. For instance, an easy-to-hold bottle may make a beverage more convenient for consumers.

Step 3: Explain standardisation and grading separately **(iii) Standardisation:** This means producing goods of predetermined specifications, such as quality, size, weight and other characteristics. It ensures uniformity and consistency in output. Customers then know what to expect, and the need to inspect every individual unit before purchase is reduced.

Grading: This means classifying products into different groups according to important characteristics such as quality, size or weight. It is especially useful where products cannot be produced to uniform standards, as with agricultural produce. Sorting fruit into quality or size grades allows buyers to select a suitable category and supports different prices for different grades. Standardisation establishes the specifications, whereas grading sorts the goods into classes.

Step 4: Conclusion Marketing planning decides the objectives and programmes; product designing and development creates a useful and attractive offering; and standardisation and grading provide uniform specifications and meaningful quality classes. Together these functions help the firm satisfy customers effectively.

Quick Tip to Solve: For these three functions, remember: plan the marketing effort, design the offering, and establish standards or sort goods into grades. Explain standardisation and grading as distinct activities.

OR

34(b). 'The important product related decisions include decisions about the packaging, labelling and branding of products.' Explain these important decisions. [6 marks]

Solution:

Concept:

- A product is a bundle of utilities offered to satisfy customer needs. Product-related decisions include how the product is protected and presented, how information about it is communicated, and how it is identified and differentiated.
- Packaging concerns the container or wrapper, labelling concerns identification and information on the product or package, and branding gives the product a distinctive identity in the market.

Step 1: Explain packaging decisions **Packaging:** Packaging means designing and producing the container or wrapper of a product. The marketer decides the material, size, shape and appearance of the package. Packaging may be primary, which directly contains the product; secondary, which provides additional protection; or transportation packaging, which assists storage, identification and transport.

A suitable package protects the product from damage and deterioration and makes handling, storage

and use convenient. Its appearance also helps identify and promote the product. For example, the container of toothpaste protects the paste and permits convenient dispensing, while an outer carton gives further protection and space for product information. The decision therefore combines protection, convenience and sales appeal.

Step 2: Explain labelling decisions **Labelling:** A label is a tag or other information provided on the product or its package. It may be a simple tag or an elaborate graphic. The marketer decides what information and visual presentation the label should contain, while meeting applicable legal requirements.

Labels describe the product and specify its contents, help identify the product or brand, and may indicate its grade. They also promote the product through an attractive design or a message about its benefits. Information such as quantity, manufacture and expiry dates, directions for use and necessary warnings helps buyers use the product properly and make an informed choice. Labelling thus goes beyond merely displaying a name.

Step 3: Explain branding decisions **Branding:** Branding means giving a product a name, sign, symbol, design or a combination of these so that it can be identified and distinguished from competitors' products. The spoken part is the brand name, while the recognisable visual part is the brand mark. A brand or part of it given legal protection is a trademark.

The marketer chooses a brand identity that is easy to recognise, remember and pronounce, distinctive, and appropriate to the product. A consistent brand helps customers identify the seller, supports repeat purchases and builds loyalty. For the seller, it aids advertising and product differentiation; for the buyer, it provides recognition and an assurance of a consistent quality expectation. A strong brand identity must be supported by the product's actual performance.

Step 4: Conclusion Packaging provides the product's container and presentation, labelling supplies identifying and descriptive information, and branding creates a distinctive market identity. All three are important product decisions because they affect protection, convenience, communication and customer preference.

Quick Tip to Solve: Separate the three decisions by asking: What contains the product? What tells the buyer about it? What makes the buyer recognise it? These correspond to packaging, labelling and branding.