CBSE Class 12 Business Studies Question Paper 2023 with Solution PDF-Set 66/C/2 - 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. 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 of the future operations of an organisation, estimating the funds required and their sources.
- It covers both long-term investment requirements and short-term needs, including working capital; it is not confined to capital expenditure.

Step 1: Evaluate Statement I Statement I correctly describes financial planning. Before carrying out future operations, management estimates how much finance will be needed, when it will be needed and how it will be raised. Thus the financial blueprint coordinates the availability of funds with the planned activities.

Step 2: Evaluate Statement II and compare the options Statement II is false because the word only excludes short-term planning. Financial planning includes short-term arrangements for current assets and working capital as well as long-term capital expenditure. Therefore (B) reverses the truth values, (C) wrongly accepts Statement II, and (D) wrongly rejects Statement I.

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

Quick Tip to Solve: When a statement limits financial planning to long-term funds only, remember that working-capital needs must also be planned.

2. 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, identifies deviations and initiates corrective action.
- Feedback from control reveals weaknesses in existing plans and helps management formulate more realistic plans for the next cycle.

Step 1: Connect the management cycle with feedback Planning establishes the intended results. After organising resources, staffing positions and directing employees, managers need to find out whether actual results match those intended results. Controlling performs this comparison and closes the cycle by acting on deviations.

Step 2: Eliminate the other functions Organising establishes roles and relationships; staffing fills positions with suitable people; directing guides and motivates employees. These functions support execution but do not themselves complete the performance-comparison and feedback cycle. Controlling supplies information that improves the next round of planning.

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, deviations and feedback: these link controlling at the end of one cycle to planning at the start of the next.

3. 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.

- Reporting relationships define who reports to whom after duties have been allocated to individual employees.

Step 1: Locate the last two steps in the sequence After work is identified and grouped into departments, suitable duties are assigned to each individual according to ability and aptitude. Only then can management establish authority-responsibility relationships so that each person knows the superior to whom performance must be reported.

Step 2: Distinguish the earlier activities Identification and division of work is the first step, while departmentalisation groups related jobs and comes before the assignment of duties. Imparting training belongs to the development of employees under staffing. It is not the organising step immediately before establishing reporting relationships.

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

Quick Tip to Solve: Recall the order: divide work, group jobs, assign duties, then establish who reports to whom.

4. _____ is a standing plan. [1 mark]

(A) Rule

(B) Budget

(C) Programme

(D) Strategy

Correct Answer: (A) Rule

Solution:

Concept:

- A standing plan guides recurring activities and is used repeatedly when similar situations arise.
- A rule specifies what must or must not be done in a particular situation and leaves no discretion regarding compliance.

Step 1: Identify the reusable instruction A rule, such as a prohibition on smoking in a workplace, continues to govern every relevant occurrence. It is not exhausted by a single project or event. This repeated applicability makes a rule a standing plan.

Step 2: Compare the remaining plans A budget expresses expected results in numerical terms, and a programme specifies the activities and arrangements for a particular undertaking; these are treated as single-use plans. A strategy is a comprehensive plan for achieving organisational objectives. Among the alternatives, the specifically recognised standing plan is the rule.

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

Quick Tip to Solve: For standing plans, ask whether the same instruction can guide repeated similar situations; a rule does exactly that.

5. 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, commonly called the right to choose, gives consumers access to a variety of goods and services at competitive prices.
- Consumer rights also cover information, education and the opportunity to be heard, but each protects a different aspect of the purchase.

Step 1: Match the wording with the consumer right The decisive words are access to variety and competitive prices. They describe freedom to choose between available products rather than being compelled to accept one product. This is the right to be assured or right to choose.

Step 2: Rule out the other rights The right to be informed concerns details such as quality, quantity, purity, standard and price. Consumer education develops knowledge of rights and remedies. The right to be heard ensures that consumer interests and complaints receive consideration. None of these is the specific right to access competing alternatives.

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

Quick Tip to Solve: Variety and competitive prices signal the right to choose; product details signal the right to be informed.

6. 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:

- Under a rolling settlement system, each trading day is treated as a separate settlement period and trades are settled after a specified interval from the trade date.
- The question describes the historical T+2 arrangement: settlement takes place two days after the

transaction date.

Step 1: Interpret the settlement period given The phrase two days after the trade date links settlement to the date of each individual trade. The settlement obligation therefore rolls forward with each trading day rather than waiting for all transactions to be grouped into one fixed account period.

Step 2: Select the recognised textbook term This arrangement is called the rolling settlement system. Rotational settlement, automatic settlement and mutual settlement are not the standard names for the trade-date-based system described in the question. The answer follows the historical arrangement explicitly stated in the paper.

Step 3: Conclusion The described arrangement is the rolling settlement system. Hence, the correct option is (A).

Quick Tip to Solve: In T+2, T is the trade date and the settlement date moves with each trade; this is why the system is called rolling settlement.

7. _____ provides the prescribed ways or manner in which a task has to be performed, considering the objective. [1 mark]

(A) Method

(B) Budget

(C) Programme

(D) Procedure

Correct Answer: (A) Method

Solution:

Concept:

- A method prescribes the way or manner in which a particular task is to be performed, taking account of its objective.
- A procedure sets out the chronological sequence of activities, while a method specifies the technique used for an individual activity.

Step 1: Identify what the plan prescribes The question asks for a prescribed way of doing a task, not a sequence of several activities. A method standardises how a particular operation is performed so that the desired objective is achieved efficiently.

Step 2: Separate method from the other plans A procedure would specify the order in which activities must occur; a programme combines objectives, policies, procedures and other details for an undertaking. A budget states expected results in numerical terms. Since the statement emphasises the manner of performing a task, method is the precise term.

Step 3: Conclusion A method provides the prescribed way or manner of performing a task. Hence, the correct option is (A).

Quick Tip to Solve: Method answers how one task is done; procedure answers in what sequence several activities are done.

8. 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 involve creating benefits for society and using business resources for the welfare of the community.
- Organisational objectives concern survival, profit and growth; personal objectives concern the needs of employees.

Step 1: Identify the benefit described Project 'Nanhi Kali' enables 'underprivileged girls to complete 10 years of schooling'. Its beneficiaries are girls from low income group families, so the activity improves educational opportunities in society.

Step 2: Distinguish the objectives The project has 'impacted the lives of over 5 lakh girls', which directly establishes a social objective. Option (A) refers to the company's own survival, profit or growth. Option (C) concerns employees' individual needs. Neither is the stated purpose of this project, so their combination in (D) is also unsuitable.

Step 3: Conclusion Shivam and Sohan Ltd. achieves a social objective by supporting education for underprivileged girls. Hence, the correct option is (B).

Quick Tip to Solve: Identify who benefits: welfare of the community points to social objectives, while employee needs point to personal objectives.

9. 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 District, State and National Commissions, with appeals ordinarily moving to the next higher level.
- Distinguish the territorial reach, monetary jurisdiction and appellate jurisdiction of a commission.

Step 1: Trace the normal appeal route An appeal against a District Commission's order is filed before the State Commission, subject to the applicable requirements. The next level above the District Commission is therefore the State Commission, rather than the National Commission.

Step 2: Select the incorrect statement Option (C) incorrectly sends the appeal directly from the District Commission to the National Commission. In the framework of the question, (A) correctly describes the National Commission's nationwide territorial jurisdiction, (B) states the District Commission's prescribed consideration limit under the stated framework, and (D) correctly identifies the State Government as the body establishing District and State Commissions.

Step 3: Conclusion The incorrect statement is that an appeal against a District Commission's order can be filed in the National Commission; it goes to the State Commission. Hence, the correct option is (C).

Quick Tip to Solve: Remember the appellate ladder: District Commission to State Commission, then State Commission to National Commission.

10. 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 concerns long-term investment decisions, such as acquiring fixed assets or expanding productive capacity.
- These decisions involve large funds, influence future earning capacity and are difficult and costly to reverse.

Step 1: Recognise the commitment involved A capital budgeting decision ties up substantial finance for a long period. For example, investment in a new plant changes the resources available to the business over many years. The commitment must therefore be evaluated carefully before it is made.

Step 2: Test each statement Option (B) correctly connects huge financial commitments and a long-term horizon with the need for utmost care. Option (A) is incorrect because such decisions are normally difficult to reverse without substantial loss. Option (C) is incorrect because future earning capacity is affected. Option (D) is incorrect because the size of assets, profitability and competitiveness are all influenced by capital investment.

Step 3: Conclusion Capital budgeting requires careful decisions because it commits huge amounts of finance on a long-term basis. Hence, the correct option is (B).

Quick Tip to Solve: For capital budgeting, link three features: large investment, long-term consequences and costly reversal.

11. 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 activities by specialised functions such as production, finance and marketing.
- A divisional structure groups activities by products; separate divisions may duplicate functional facilities and raise costs.

Step 1: Locate the source of duplication Option (C) refers to 'duplication of activities across products'. This is associated with a divisional structure, where each product division may maintain its own production, marketing and other facilities. It is therefore not the stated disadvantage of functional grouping.

Step 2: Check the functional disadvantages Option (A) is a functional disadvantage because departmental objectives can receive more emphasis than enterprise objectives. Option (B) is also a disadvantage because specialised departments may have incompatible interests. Option (D) describes the coordination difficulty that arises when information must cross functional boundaries. These three belong to functional structure, unlike (C).

Step 3: Conclusion The increase in costs caused by duplication of activities across products is a disadvantage of divisional structure. Hence, the correct option is (C).

Quick Tip to Solve: The phrase 'across products' signals divisional structure; functional structure instead centres on specialised departments.

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 integrates diverse elements and coordinates departmental activities in line with the overall objectives of the organisation.
- Middle management implements top-level plans through departments, while supervisory management oversees operational work.

Step 1: Use the scope of the task Ashita's basic task is to 'integrate diverse elements' and coordinate 'different departments according to the overall objectives of the organisation'. These words describe responsibility for the enterprise as a whole, rather than for a particular department or operating team.

Step 2: Eliminate the narrower levels Top level management is responsible for this overall integration, so (A) fits. Middle level management in (B) interprets and implements top management's plans in departments. Supervisory level management in (C) directly guides workers and daily operations. Their combination in (D) does not identify the enterprise-wide responsibility described in the case.

Step 3: Conclusion Ashita is working at the top level of management because her responsibility is overall integration and coordination of departments. Hence, the correct option is (A).

Quick Tip to Solve: Look for the scope: organisation-wide objectives and integration of all departments indicate top management.

13. 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:

- Price determination is influenced by product cost, demand and utility, competition, government regulations, pricing objectives and marketing methods.
- Standardisation and grading are marketing functions concerned with product specifications and

classification according to quality.

Step 1: Identify the distinct marketing function Standardisation establishes specifications such as quality, size or performance, while grading classifies products into groups according to characteristics. Thus, 'Standardization and Grading' names a separate marketing function rather than one of the listed factors determining price.

Step 2: Check the other factors Option (A), product cost, helps determine the minimum sustainable price. Option (B), the extent of competition, influences the freedom a business has to set its price. Option (C), government and legal regulations, can restrict or regulate prices. These are recognised factors affecting price, so the option that does not belong is (D).

Step 3: Conclusion Standardization and Grading is the separate marketing function among the given options. Hence, the correct option is (D).

Quick Tip to Solve: Separate marketing functions from pricing factors: cost, competition and regulation influence the price-setting decision.

14. 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, systematic thought rather than guesswork.
- Planning is all-pervasive because it is needed at every management level and in every department; it involves decision-making because alternatives must be evaluated and selected.

Step 1: Match mental exercise and pervasiveness For A, the words 'logical and systematic thinking' identify explanation (iii), so A matches (iii). For B, 'all levels of management' and 'all departments' establish the widespread need for planning, so B matches (ii).

Step 2: Match decision-making and test the codes For C, examining and evaluating alternatives

before choosing the most appropriate one is decision-making, so C matches (i). The complete mapping is A–(iii), B–(ii), C–(i), which is option (B). Option (A) interchanges the explanations for mental exercise and decision-making. Option (C) incorrectly links mental exercise with pervasiveness, while (D) incorrectly links pervasiveness with logical thinking.

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

Quick Tip to Solve: Use the keywords: thinking means mental exercise; every level means all-pervasive; choosing alternatives means decision-making.

15. 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's safety/security needs concern protection against physical and economic insecurity.
- Job security and a pension provide continuity of employment and income, including after retirement.

Step 1: Identify the need satisfied The benefits named are 'job security and pension plan'. They reduce anxiety about losing one's job or future income. Such protection satisfies safety/security needs, the level above basic physiological needs in Maslow's hierarchy.

Step 2: Eliminate the other categories Basic physiological needs concern necessities such as food and shelter. Belongingness concerns acceptance, friendship and group membership. Esteem concerns recognition, status and respect. These differ from the protection against uncertainty provided by secure employment and a pension.

Step 3: Conclusion Safety/Security needs are satisfied. Hence, the correct option is (B).

Quick Tip to Solve: Link job security, insurance and retirement benefits to safety needs; link recognition and status to esteem needs.

16. 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:

- Social environment includes attitudes, beliefs, lifestyles, values and social trends that influence demand.
- A change in consumer health consciousness can create opportunities for businesses supplying related products.

Step 1: Locate the change in consumer attitudes The case says 'consumers are becoming conscious about the harmful effects of polluted air'. Their growing concern for health changes their preferences, increasing demand for home air-purifiers. The dimension highlighted is therefore the social environment.

Step 2: Distinguish the other dimensions Political environment concerns government attitudes and political conditions; neither is mentioned. Technological environment concerns innovations or methods, but the case gives no new air-purification technology. Economic environment concerns factors such as income, interest rates and inflation; none explains the stated change. The direct clue is consumer awareness and attitudes.

Step 3: Conclusion The case discusses the Social Environment. Hence, the correct option is (D).

Quick Tip to Solve: Choose the dimension indicated by the stated cause: changing health attitudes signal social environment, even when the product uses technology.

17. 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, paid form of communication by an identified sponsor.

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

Step 1: Match the quoted feature The statement 'there is no direct face-to-face contact between the prospect and the advertiser' describes impersonality. A common advertisement reaches many people rather than allowing a personal conversation with each prospective buyer.

Step 2: Rule out the other features Paid form means that the sponsor pays for the advertising message or space. Identified sponsor means that the advertiser's identity is known. Economical refers to the comparatively low cost per person reached by mass communication. None of these describes the absence of direct contact; that is the feature of impersonality.

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

Quick Tip to Solve: Use absence of face-to-face contact to identify impersonality; payment identifies paid form and the advertiser name identifies the sponsor.

18. 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 presenting information on a label attached to a product or its package.
- A label describes the product and communicates details such as quantity, price, manufacturing date, expiry date and manufacturer.

Step 1: Read the information in the picture The picture supplies 'Manufacturing Date', 'Expiry Date', 'Quantity: 500 ml', 'Max. Retail Price' and manufacturer details for organic honey. These particulars inform the buyer about the product and its use. They illustrate the product decision of labelling.

Step 2: Separate labelling from related decisions Branding assigns a distinctive name, sign or symbol to identify a seller's product. Packaging designs and produces the container or wrapper that holds and

protects it. Although a label may appear on a package and show a brand, the information emphasised here makes labelling the correct choice. Therefore 'None of the above' is also incorrect.

Step 3: Conclusion The picture depicts Labelling. Hence, the correct option is (B).

Quick Tip to Solve: Look for dates, quantity, price and manufacturer details: these are label information, while the container itself points to packaging.

19. '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 comprises tools used to communicate with customers and other publics, including public relations.
- Public relations manages an organisation's relations with the public and helps maintain a favourable public image.

Step 1: Identify the communication activity The key phrase is 'Managing public opinion of an organisation'. This is a public-relations task. Public relations builds understanding and goodwill between the organisation and its various publics, making it part of the promotion mix.

Step 2: Reject the other elements Product mix concerns product features, quality, branding and the product range. Place mix concerns distribution channels and making products available. Price mix concerns the price charged and related pricing decisions. Managing public opinion is a communication and image-building activity, so it belongs to promotion rather than any of these elements.

Step 3: Conclusion Public-opinion management is included under Promotion mix. Hence, the correct option is (D).

Quick Tip to Solve: When a case mentions public image, goodwill or public opinion, identify public relations and then place it within the promotion mix.

20. 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 and expects subordinates to follow orders.
- A high degree of independence is characteristic of free-rein leadership, not autocratic leadership.

Step 1: Apply the autocratic-leadership features An autocratic leader makes decisions and directs subordinates about what they must do. Therefore expecting obedience and not wishing to be contradicted are consistent with this style. Centralised authority can also facilitate quick decisions because lengthy consultation is avoided.

Step 2: Select the incorrect statement The question asks for the incorrect statement. 'Subordinates are given high degree of independence' contradicts centralised control; it describes free-rein or laissez-faire leadership. Thus (C) is incorrect for autocratic leadership, whereas (A), (B) and (D) describe its recognised features.

Step 3: Conclusion The incorrect statement is that subordinates are given a high degree of independence. Hence, the correct option is (C).

Quick Tip to Solve: Circle the word incorrect first; autocratic leadership centralises control, whereas free-rein leadership gives substantial independence.

21. '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 comprises external forces that influence an enterprise's performance but are largely beyond its direct control. Managers must identify and interpret these forces before deciding how to respond.
- Understanding the environment helps an enterprise identify threats and cope with rapid changes. An early successful business model must be reviewed as competition and market conditions change.

Step 1: Identify threats and obtain early warning signals **Identifying threats and early warning signals:** Threats are external trends or changes that hinder a firm's performance. Environmental awareness gives managers advance warning so that they can prepare an appropriate response instead of reacting only after serious losses occur. In this case, the firm "started losing business to multinational food chains like McDonalds and Pizza Hut". Monitoring these competitors and their offerings would have alerted managers to the competitive threat and helped them take timely corrective action.

Step 2: Cope with rapid changes in the market **Coping with rapid changes:** Business conditions, customer expectations and competitive practices change continuously. Understanding these changes enables managers to adapt their products, services and methods to the emerging situation. Although the firm "pioneered the concept of family-style restaurants", its managers were unable "to react to the forces external to their firm". Regular environmental analysis would have helped them review the restaurant's existing approach and develop a suitable competitive response rather than continue relying on its earlier success.

Step 3: Conclusion Environmental understanding is important because it provides early warning of threats and helps managers cope with rapid change. These two benefits directly address the competitive pressures and failure to respond described in the case.

Quick Tip to Solve: Link each importance point to a separate case clue: new rivals indicate a threat; failure to react indicates the need to cope with change.

22(a). Explain any three points that highlight the relationship between 'planning' and 'controlling' function of management. [3 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and sets the objectives and standards of performance. Controlling measures actual performance, compares it with standards and takes corrective action where needed.
- Planning and controlling are interdependent functions. Plans guide control, while information obtained through control helps managers improve future plans.

Step 1: Explain how planning provides the standards for control **Planning is a prerequisite for controlling:** A manager can judge whether performance is satisfactory only when a desired result has already been specified. Planning establishes these objectives and standards, against which controlling compares actual results. Without plans, there is no clear basis for identifying deviations; therefore controlling cannot be meaningfully performed in the absence of planning.

Step 2: Explain how controlling makes plans effective **Planning is meaningless without controlling:** Merely drawing up a plan does not ensure that employees implement it or that its objectives are achieved. Controlling monitors execution, locates deviations and ensures corrective action. It therefore helps translate intentions into results. Plans guide the work, and control checks that the work proceeds towards the planned goals.

Step 3: Explain their forward-looking and backward-looking nature **Both functions look forward as**

well as backward: Planning looks ahead to future action but also uses past experience and results. Controlling looks back by comparing completed performance with standards, yet it also looks ahead because the purpose of corrective action is to improve subsequent performance. The experience gained through control feeds into future planning, making the two functions a continuous, mutually supporting cycle.

Step 4: Conclusion Planning supplies the standards for control, controlling ensures that plans are implemented effectively, and both functions use past results to guide future action. They are inseparable and complementary functions of management.

Quick Tip to Solve: Remember the cycle: set standards through planning, check results through controlling, and use the feedback to improve the next plan.

OR

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

Solution:

Concept:

- Directing means instructing, guiding, counselling, motivating and leading people in an organisation to achieve its objectives. It concerns the human side of putting plans into operation.
- Directing is important because it initiates action and integrates employees' efforts. These benefits connect individual work with the common organisational purpose.

Step 1: Explain how directing initiates action **Directing initiates action:** Planning identifies objectives, organising allocates duties and staffing provides suitable employees, but these arrangements alone do not start the actual work. Through instructions, guidance, supervision and leadership, managers tell employees what is expected and help them perform their tasks. Directing thus converts the plans and resources of an organisation into purposeful activity. For example, assigning a sales target becomes effective when the manager communicates the task and guides employees in carrying it out.

Step 2: Explain how directing integrates employees' efforts **Directing integrates employees' efforts:** Different employees carry out different activities, and each person's work must contribute to the organisation's overall objectives. Through guidance, communication and supervision, managers coordinate these individual efforts so that they complement rather than obstruct one another. Directing clarifies how each employee's task relates to other tasks and to the common goal. It thereby helps the group work as a team and ensures that individual effort contributes to collective performance instead of remaining isolated or conflicting.

Step 3: Conclusion Directing is important because it starts the execution of work and integrates the efforts of employees towards common organisational objectives. It brings the other managerial preparations into effective operation through people.

Quick Tip to Solve: For the importance of directing, distinguish starting the work from aligning everyone's work: these support initiation and integration respectively.

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

Solution:

Concept:

- Staffing is the managerial function of obtaining and maintaining a competent workforce for the organisation. It includes finding suitable people and developing their ability to perform the work assigned.
- Its importance lies in matching people with jobs, improving organisational performance and ensuring that capable employees are available for future responsibilities.

Step 1: Explain how staffing secures competent personnel **Obtaining competent personnel:** Staffing helps an organisation discover and obtain competent people for different jobs. Recruitment attracts suitable applicants and selection identifies those whose abilities match the job requirements. Consequently, organisational positions are filled by people who possess the necessary knowledge and skills.

Step 2: Explain how staffing improves performance **Higher performance:** By putting the right person on the right job, staffing helps employees use their abilities effectively. Proper placement and training enable them to carry out their duties efficiently. This improves individual performance and, through it, the overall performance of the organisation.

Step 3: Explain how staffing ensures continuity **Continuous survival and growth:** Staffing develops managers and other employees who can take up greater responsibilities in the future. Through management succession planning, the organisation prepares suitable people to fill important positions as they become vacant. This supports its continued functioning and growth.

Step 4: Conclusion Three benefits of staffing are obtaining competent personnel, achieving higher performance by placing the right people in the right jobs, and ensuring the organisation's continuous survival and growth through succession planning.

Quick Tip to Solve: For benefits to the organisation, connect staffing to capable people, better job performance and future managerial continuity.

OR

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

Solution:

Concept:

- Training is the process of increasing an employee's knowledge and skills for performing a particular job. It improves the employee's ability to use appropriate work methods and equipment.
- Benefits to employees concern their own career, earnings and safety. These must be distinguished from organisational benefits such as reduced wastage or a lower need for supervision.

Step 1: State the career benefit **Better career prospects:** Training improves an employee's skills and knowledge. A better-qualified employee can undertake more demanding duties and is better prepared

for promotion to higher positions. Thus, training supports career advancement rather than merely improving performance in the present job.

Step 2: State the earnings benefit **Higher earnings:** Training enables employees to work more efficiently and effectively. Improved performance can help them earn more, particularly where rewards are linked to output or performance. The benefit to the employee is the prospect of increased income resulting from greater productivity and competence.

Step 3: State the safety benefit **Greater safety:** A trained employee learns the correct methods of handling machines, tools and materials. Awareness of safe procedures reduces errors and helps the employee avoid accidents at work. Training therefore protects employees against injuries associated with incorrect handling or lack of knowledge.

Step 4: Conclusion Three benefits of training to employees are better career prospects, the opportunity for higher earnings through improved performance, and greater safety while handling machines and equipment.

Quick Tip to Solve: Keep the beneficiary clear: promotion, earnings and personal safety are employee benefits; reduced wastage is primarily an organisational benefit.

24. 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 to achieve them and selecting the best course of action. It decides in advance what to do and how to do it.
- Planning provides direction by linking activities with objectives, and reduces the risk of uncertainty by anticipating future conditions and preparing suitable responses.

Step 1: Identify and state the management function The function is **planning**. The case says that Kamal is "thinking in advance what to do and how to do it", which directly describes planning. He is deciding future action in order to achieve the objectives of increased sales and profits. Thus, planning involves deciding the objectives and choosing an appropriate course of action before undertaking the work.

Step 2: Explain how planning provides direction **Planning provides direction:** It clearly states what is to be achieved and guides employees about the activities required to achieve it. The reference to "increase its sales and earn profits" identifies the objectives towards which Kamal's plans must direct the firm's efforts. Employees can therefore coordinate their actions towards common targets instead of working without a clear purpose.

Step 3: Explain how planning reduces uncertainty **Planning reduces the risks of uncertainty:** Managers look ahead, anticipate possible changes and decide beforehand how to deal with them. The case states that Kamal is "preparing forecasts to reduce the risk of uncertainty". Forecasts help him consider future conditions and prepare appropriate action. Planning cannot eliminate uncertainty completely, but it reduces the impact of unexpected developments.

Step 4: Conclusion Kamal is performing planning: deciding objectives and future courses of action in advance. Two points of its importance are that it provides direction and reduces the risks of uncertainty.

Quick Tip to Solve: In a case, link "thinking in advance" with planning, stated targets with direction, and forecasts with reducing uncertainty.

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25. 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:

- The right to seek redressal entitles a consumer to obtain relief against unfair trade practices, restrictive trade practices or unscrupulous exploitation, including the sale of defective goods.
- Consumer responsibilities include purchasing standardised goods and following the manufacturer's instructions so that products are used safely and correctly.

Step 1: Identify the right exercised by filing a complaint **(a) Right to seek redressal:** Ankush "decided to file a case in the consumer court" after the company's helpline failed to provide a solution. He is therefore exercising the right to seek redressal. This right enables a consumer to complain against defective goods or deficient services and seek appropriate relief. Depending on the facts, relief may include removal of the defect, replacement, refund or compensation for loss or injury suffered. The faulty wiring and short-circuit provide the basis of his grievance; the case does not state that any particular relief has already been awarded.

Step 2: Relate each fulfilled responsibility to the case **(b) Purchase standardised goods:** A consumer should buy quality-assured products bearing appropriate standardisation marks. The words "the microwave had ISI mark" show that Ankush fulfilled this responsibility while purchasing it.

Follow instructions and learn about safe use: A consumer should read the labels and instruction manual, understand the risks associated with a product and use it according to the manufacturer's directions. Ankush "diligently went through the instruction manual so that he could use it properly", showing that he fulfilled this responsibility while using the microwave. Reading the manual does not

remove the manufacturer's responsibility for a defect such as faulty wiring.

Step 3: Conclusion Ankush will exercise the **right to seek redressal**. He fulfilled the responsibilities of purchasing standardised goods bearing the ISI mark and reading the instruction manual to ensure proper and safe use.

Quick Tip to Solve: Link "file a case" to redressal; link the ISI mark to standardised goods and the instruction manual to safe, proper use.

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26. 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:

- A financing decision determines the mix of owners' funds and borrowed funds used by a business. Equity shares provide owners' funds without compulsory interest or repayment of principal.
- Cash-flow position, fixed operating costs and control considerations influence the choice between debt and equity. Debt creates fixed financial commitments and therefore increases financial risk.

Step 1: Select the source and explain the cash-flow reason **Source: Equity share capital.** Srijan should raise owners' funds by issuing equity shares for the company's modernisation and expansion.

Reason 1 – Weak cash-flow position: The case states that "the cash flow position of the company is not strong". Borrowed funds require regular interest payments and repayment according to agreed terms, even when cash receipts are weak. Equity shares do not carry a compulsory fixed dividend or a contractual repayment schedule. They therefore avoid adding these fixed cash outflows when the restaurant's cash-flow position is already weak.

Step 2: Explain the fixed-cost reason **Reason 2 – High fixed operating costs:** The case states that "fixed operating costs of business are also high". The business already has substantial operating commitments. Using debt would add fixed interest obligations and increase the total burden of fixed payments. Owners' funds are more suitable because they do not impose compulsory fixed financing charges; this helps keep the combined operating and financial risk within manageable limits.

Step 3: Assess one additional factor **Control considerations:** Equity shareholders have voting rights. Issuing additional equity shares to outsiders may dilute the existing owners' proportionate voting power and their control over the family company. Srijan should therefore consider the extent to which the existing shareholders are willing to share control before finalising the financing mix. Debt normally avoids this dilution, but that advantage must be weighed against the weak cash flow and

high fixed costs described in the question. No loss of control is stated as an existing fact; it is a consideration in the decision.

Step 4: Conclusion **Equity shares** are the suitable source because the company has weak cash flows and high fixed operating costs. Srijan should also consider the possible dilution of existing shareholders' control when raising additional equity.

Quick Tip to Solve: Weak cash flow and high fixed operating costs both favour equity; for the extra factor, explain how new voting shares can dilute control.

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

(i) Business cycle

(ii) Operating efficiency [4 marks]

Solution:

Concept:

- Working capital finances the day-to-day operations of a business, including stocks, receivables and routine operating payments.
- Its requirement depends on the scale of current operations and the speed with which funds invested in operations return as cash. The business cycle affects the first, while operating efficiency affects the second.

Step 1: Explain the effect of the business cycle **Business cycle:** During a boom, demand for the firm's products generally rises. To meet the higher expected sales, the business increases production and needs larger stocks of raw materials and finished goods. More sales may also create more debtors when goods are sold on credit. Consequently, more funds are tied up in current assets and the working capital requirement increases.

During a depression, demand and sales decline. Production is reduced, so comparatively less money is needed for inventories and other day-to-day activities. Thus, the requirement of working capital generally falls. The comparison concerns the normal effect of the level of business activity on operating funds.

Step 2: Explain the effect of operating efficiency **Operating efficiency:** Efficient operations reduce waste, use resources productively and enable the business to complete its operating cycle more quickly. Better inventory management avoids excessive stocks, while timely recovery from debtors releases money otherwise blocked in receivables. The same volume of business can therefore be supported with less investment in current assets.

A firm with a shorter operating cycle and efficient collection practices needs less working capital. Conversely, inefficient production, unnecessary stocks and slow collections keep funds tied up for longer and increase its requirement. Efficiency lowers the funds needed without requiring the firm to reduce its normal level of operations.

Step 3: Conclusion A boom normally raises working capital requirements and a depression lowers them. Greater operating efficiency reduces the amount and duration of funds tied up in operations, thereby lowering the working capital needed for a given level of activity.

Quick Tip to Solve: For each factor, trace its effect on stocks, debtors or the time funds remain blocked: higher activity needs more funds, while faster turnover needs fewer.

28(a). State any four points of difference between 'Primary Market' and 'Secondary Market'. [4 marks]

Solution:

Concept:

- The primary market deals in securities issued for the first time. It enables enterprises to obtain funds directly from investors through the issue of new securities.
- The secondary market deals in securities that have already been issued. It provides liquidity by allowing existing investors to sell their holdings to other investors.

Step 1: Identify the transactions being compared Distinguish a fresh issue of securities from a subsequent transfer of those securities. In the primary market, the issuer raises capital; in the secondary market, investors trade existing claims. The following four bases compare their nature, parties, flow of funds and price determination.

Step 2: State four differences using common bases

Basis	Primary Market	Secondary Market
Nature of securities	Deals in the issue of new securities for the first time; it is also called the new issue market.	Deals in the purchase and sale of existing securities that have already been issued.
Parties to the transaction	Investors purchase securities from the issuing enterprise, directly or through intermediaries.	Investors purchase and sell securities among themselves; the issuing enterprise is not the seller in the transaction.
Flow of funds	The proceeds of the issue flow to the issuing enterprise and provide it with capital.	The sale proceeds flow to the selling investor; trading does not provide fresh funds to the issuing enterprise.
Determination of price	For the issue, prices are determined by the company's management in accordance with the applicable issue mechanism.	Prices fluctuate with the demand for and supply of securities in the market.

Thus, a company issuing shares to raise capital uses the primary market. A shareholder subsequently selling those shares to another investor makes a secondary-market transaction. The latter gives the shareholder an exit route and encourages investment in new issues by providing liquidity.

Step 3: Conclusion The four differences concern the nature of securities, the parties involved, the recipient of funds and price determination. The primary market supplies fresh capital to issuers, while the secondary market transfers existing securities and provides liquidity to investors.

Quick Tip to Solve: Ask who receives the money: a fresh issue funds the company, whereas a later trade pays the selling investor. Use the same Basis column to compare both markets.

OR

28(b). State any four protective functions of 'Securities and Exchange Board of India'. [4 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) protects investors in securities and promotes orderly functioning of the securities market.
- Protective functions prevent exploitation of investors and improve their awareness. They are distinguished from developmental measures such as training intermediaries and routine regulation such as registering brokers.

Step 1: State the protections against market abuse

- **Prohibit fraudulent and unfair trade practices:** SEBI prohibits practices such as misleading statements and market manipulation that deceive investors. This helps investors deal in a market where prices are not deliberately distorted by dishonest operators.
- **Control insider trading:** SEBI controls trading based on unpublished price-sensitive information and imposes penalties for such practices. Company insiders must not use confidential information to gain an unfair advantage over ordinary investors who do not possess that information.

Step 2: State the protections through awareness and fair conduct

- **Undertake investor education:** SEBI undertakes steps to educate investors about securities-market dealings, their rights and the risks involved. Better-informed investors can assess information carefully and are less vulnerable to misleading claims.
- **Promote fair practices and a code of conduct:** SEBI promotes fair practices and a code of conduct in the securities market, including in areas such as mutual funds and takeover bids. These standards guide market participants towards fair treatment of investors and safeguard their interests.

Step 3: Conclusion Four protective functions are prohibiting fraudulent and unfair trade practices, controlling insider trading, undertaking investor education, and promoting fair practices and a code of conduct in the securities market.

Quick Tip to Solve: For protective functions, focus on investor safety: stop fraud, stop insider advantage, educate investors and encourage fair conduct.

29. 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: managerial activities unite individual efforts towards specific organisational objectives.
- Management is a dynamic function: an organisation must adapt its functioning to changes in its environment in order to remain successful.

Step 1: Identify and explain goal-oriented management **Management is a goal-oriented process.** The supporting lines are: "her target was to be amongst the top 10 companies in this field within the next three years" and "She worked hard and united the efforts of different people to achieve this goal."

Management is directed towards achieving clearly stated organisational goals. These goals give a common purpose and direction to the activities of people with different abilities. In this case, Pallavi defined both the desired position of Dreams Unlimited and the time within which it was to be achieved. She then brought together the efforts of the people she employed so that their individual work contributed to the same organisational objective. The statement that the company achieved its target within three years confirms that these efforts were directed towards the specified goal.

Step 2: Identify and explain dynamic management **Management is a dynamic function.** The supporting 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 operates in an environment whose conditions and demands keep changing. Management must respond to such changes by adapting the organisation's activities rather than following an inflexible course. Here the relevant change was in customers' requirements in the wedding-planning industry. Pallavi's company adjusted to those changing requirements, showing that its management was responsive to the external environment. Thus the quoted adaptation, rather than merely the existence of a target, establishes the dynamic nature of management.

Step 3: Conclusion The two features are **management is a goal-oriented process**, shown by the defined top-10 target and united efforts, and **management is a dynamic function**, shown by adapting to changing customer requirements.

Quick Tip to Solve: In a case answer, pair each textbook feature with its own evidence: a specified target signals goal orientation; adaptation to environmental change signals dynamism.

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

[4 marks]

Solution:

Concept:

- Motivation is the process of stimulating people to act in a desired manner to achieve certain goals. It encourages employees to contribute willingly to organisational objectives.
- The features of motivation describe its nature. Two such features are that it is an internal feeling and that it produces goal-directed behaviour.

Step 1: Explain motivation as an internal feeling **Motivation is an internal feeling:** An individual's urges, drives, desires, aspirations and needs are internal to that person and influence his or her behaviour. An unsatisfied need creates a feeling of tension and a desire to take action to satisfy it. A manager can offer suitable incentives, but the willingness to act arises within the employee. For example, an employee who desires recognition may work carefully and take initiative when good performance is appreciated. The appreciation stimulates an existing need; it does not mean that every employee is motivated by the same reward. Thus, understanding employees' needs helps a manager choose incentives that encourage willing effort.

Step 2: Explain motivation as goal-directed behaviour **Motivation produces goal-directed behaviour:** Motivation induces people to behave in ways that help them attain their goals. When an employee sees a connection between the desired reward and the required work, effort is directed towards that work. For example, a salesperson who wants to earn a performance incentive may increase customer contacts and improve selling efforts to achieve the sales target. Here, the incentive is the desired goal, and the sales effort is the behaviour directed towards it. Managers should connect the satisfaction of individual needs with organisational objectives so that employees' efforts serve both. Motivation therefore gives purpose and direction to action rather than merely creating activity.

Step 3: Conclusion Motivation is an **internal feeling** arising from a person's needs and desires, and it **produces goal-directed behaviour** by encouraging actions that help satisfy those needs and achieve objectives.

Quick Tip to Solve: For each feature, give its heading, explain how it affects employee behaviour, and add a short example linking a need to an action.

OR

30(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 ideas, information, views or feelings between people to create common understanding.
- In the communication process, a sender converts an idea into symbols, transmits it through a channel, and the receiver interprets those symbols. Message, encoding, media and decoding perform different roles in this sequence.

Step 1: Explain the message **(i) Message:** The message is the content of the communication: the idea, information, feeling or suggestion that the sender wishes to convey to the receiver. For example, a manager's instruction that a report must be submitted by Friday is the message. It is the substance being communicated, rather than the method used to communicate it. A clear and complete message helps the receiver understand what is expected.

Step 2: Explain encoding **(ii) Encoding:** Encoding is the process of converting the message into communication symbols such as words, pictures or gestures. The sender chooses symbols that express the intended idea. For example, the manager puts the instruction about the report into written words in an email. The sender should select language and symbols that the receiver can understand so that the intended meaning is preserved.

Step 3: Explain media **(iii) Media:** Media refers to the path or channel through which the encoded message travels from the sender to the receiver. Examples include a face-to-face conversation, a telephone call, a letter and email. In the report example, email is the channel carrying the written instruction. The choice of medium depends on the situation, including the urgency and nature of the message and the receiver's ability to access it.

Step 4: Explain decoding **(iv) Decoding:** Decoding is the process of converting the encoded symbols received into a meaning understood by the receiver. The receiver reads, listens to or observes the message and interprets it. For example, the employee reads the email and understands that the report is due on Friday. Communication is effective when this interpretation corresponds to the meaning intended by the sender.

Step 5: Conclusion The **message** is what is conveyed, **encoding** puts it into symbols, **media** carries those symbols, and **decoding** interprets them at the receiver's end.

Quick Tip to Solve: Remember the sequence: content, conversion into symbols, channel, interpretation. Use one instruction as a common example to keep the four elements distinct.

31. 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:

- Formal organisation is the organisation structure deliberately designed by management to achieve the objectives of an enterprise.
- It specifies the tasks to be performed, the authority and responsibility of different positions and the relationships through which people coordinate their work.

Step 1: Identify the type of organisation from the case **(a) Formal organisation.** F.M. Tech Ltd. has deliberately prescribed its official work relationships. The clues are that "job description and rules and procedures related to work processes are laid down" and that the company "specifies clearly the boundaries of authority and responsibility". These are planned arrangements created by management, rather than personal relationships arising spontaneously among employees.

Step 2: Explain how the formal arrangement operates Each position is assigned a definite job and the authority needed to perform it. Employees know the work expected of them, the superior to whom they report and the limits within which they can act. Rules and procedures guide the performance of work. The case also mentions "systematic co-ordination among the various activities to achieve organisational goals", showing that the planned relationships link individual efforts to the enterprise's common objectives.

Step 3: State two advantages of formal organisation **(b) Advantage 1 – Easier fixation of responsibility:** Clearly defined duties and reporting relationships make it possible to identify who is responsible for a particular task. Employees can be held accountable for the work allotted to their positions.

Advantage 2 – Avoidance of duplication of effort: Since every member's role is specified, employees know which tasks belong to them and which belong to others. This reduces overlapping work and helps different activities proceed in a coordinated manner.

Step 4: State two limitations of formal organisation **Limitation 1 – Procedural delays:** Communication and decisions generally have to move through the prescribed chain of command. Strict adherence to these procedures may delay action, particularly when a matter needs a quick response.

Limitation 2 – Restricted initiative: Rigidly specified duties and rules may leave employees with little freedom to try their own methods. They may merely follow instructions instead of taking initiative, even when a useful improvement is possible.

Step 5: Conclusion F.M. Tech Ltd. has a **formal organisation**. It helps fix responsibility and avoid duplication of work, but its prescribed procedures may cause delays and restrict employees' initiative.

Quick Tip to Solve: In a case, link prescribed jobs, authority limits and rules to formal organisation; spontaneous friendship groups indicate informal organisation.

32. 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 techniques of scientific management analyse work systematically to improve efficiency. Method study determines the best method of doing a job, while motion study examines workers' movements.
- Fayol's principles of general management guide managerial behaviour. Equity requires fair and just treatment, and remuneration of employees requires fair compensation satisfactory to employees and the organisation.

Step 1: Identify and explain method study **Technique 1 – Method study:** The case states that Abhishek "scientifically analysing work ... found one best way of doing the job". Method study seeks the best method of performing a job by examining and comparing the available ways of doing it. It considers the sequence of operations and how work can be performed efficiently, so that production costs are minimised and the quality and satisfaction of customers are maximised. Abhishek's scientific search for the best way, rather than relying on an arbitrary traditional practice, illustrates this technique.

Step 2: Identify and explain motion study **Technique 2 – Motion study:** The clue is "By removing unproductive movements of the workers he reduces the time to complete the job." Motion study analyses movements involved in performing a task, such as lifting, putting objects down, sitting or changing position. Necessary movements are distinguished from unnecessary ones, and the latter are eliminated. A work method with fewer wasteful movements saves effort and time and improves efficiency. This directly explains the action described in the case.

Step 3: Identify and explain equity **Principle 1 – Equity:** Abhishek "followed no discrimination policy on account of sex, religion, caste, etc." Equity requires managers to be fair and just in their dealings with employees. Similar treatment should be given to employees in similar circumstances, without discrimination on grounds such as sex, religion or caste. Kindness and justice in managerial behaviour encourage loyalty and commitment; equity does not prevent the use of necessary discipline.

Step 4: Identify and explain remuneration of employees **Principle 2 – Remuneration of employees:** Abhishek ensured that "the compensation should be fair to both, employees and the organisation". Employees should receive fair and reasonable remuneration so that they can maintain a reasonable standard of living. At the same time, payment should be within the organisation's paying capacity and satisfactory to both sides. Fair remuneration supports harmonious relations and encourages employees to contribute to organisational performance.

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

Quick Tip to Solve: Match "one best way" with method study, "unproductive movements" with motion study, "no discrimination" with equity and "fair compensation" with remuneration.

33(a). Explain any four psychological barriers of communication. [6 marks]

Solution:

Concept:

- Communication is effective when the receiver understands a message in the sense intended by the sender. The mental state of either person can obstruct this understanding even when the language and channel are suitable.
- Psychological barriers arise from attitudes, emotions, attention, memory and trust. They affect how a message is received, interpreted and accepted, rather than merely how it is transmitted physically.

Step 1: Explain barriers caused by judgement and inattention **1. Premature evaluation:** This means judging a message before the sender has completed it. A receiver may form a favourable or unfavourable opinion from only a few words, or from an existing impression of the sender. The receiver then interprets the remaining message through that judgement instead of considering its full meaning. For example, rejecting a proposed improvement before hearing its reasons can prevent a useful idea from being understood.

2. Lack of attention: A receiver preoccupied with personal worries, other work or strong emotions may fail to listen carefully. Important details are missed even though the sender communicates them correctly. The resulting understanding is incomplete, so the receiver may act on only part of an instruction or ask for information already given. Listening requires mental attention as well as physical presence.

Step 2: Explain barriers caused by memory and mistrust **3. Loss by transmission and poor retention:** When a message passes through several people, each may omit, alter or interpret some information while passing it on. The final receiver may therefore receive a distorted version of the original message. In addition, people cannot retain every detail of a message, particularly a long oral one; poor retention causes information to be forgotten. Both effects weaken the accuracy of communication.

4. Distrust: If the sender and receiver do not trust one another, they may not interpret each other's message in its original sense. The receiver may doubt the truth or motive of even accurate information and refuse to accept it. Similarly, the sender may withhold relevant facts. Thus, a lack of confidence between the parties obstructs free exchange and correct understanding.

Step 3: Conclusion The four psychological barriers are **premature evaluation, lack of attention, loss by transmission and poor retention, and distrust**. Each prevents full and accurate understanding by influencing the minds of the people communicating.

Quick Tip to Solve: Recall the four causes as judgement, attention, memory and trust; explain how each changes the understanding of a message, rather than only listing its name.

OR

33(b). Explain any four merits of external sources of recruitment. [6 marks]

Solution:

Concept:

- Recruitment means searching for prospective employees and encouraging them to apply for jobs. External sources seek applicants from outside the organisation, rather than filling vacancies only by promotion or transfer of existing employees.
- External recruitment expands the pool of candidates and gives the organisation access to qualifications, abilities and experience that may not be available among its present workforce.

Step 1: Explain the advantages for selecting suitable employees **1. Qualified personnel:** External sources provide an opportunity to attract people with the required qualifications, training and experience. When existing employees do not possess a particular professional or technical capability, the organisation can invite applications from people who already have it. This helps it meet the requirements of specialised jobs instead of restricting appointments to the abilities currently available inside the organisation.

2. Wider choice: Inviting applications from outside offers a much larger pool of prospective candidates. The organisation can compare applicants with different educational backgrounds, experience and abilities and select the person best suited to the job. This improves the scope for matching job requirements with a candidate's capabilities. The choice is therefore broader than when only existing employees can be considered.

Step 2: Explain the advantages for organisational development **3. Fresh talent:** New entrants can bring fresh ideas, different experiences and new approaches to work. The organisation benefits from knowledge acquired in other institutions or workplaces, which may help it improve established methods and respond to changing requirements. External recruitment therefore supplements the abilities of the existing workforce and reduces reliance on the same familiar ways of doing things.

4. Competitive spirit: The possibility of recruiting competent people from outside can encourage existing employees to improve their performance and capabilities. They recognise that suitable outsiders may be considered for responsible positions, so advancement cannot be taken for granted. This awareness can promote healthy competition and motivate current employees to work more efficiently and develop themselves.

Step 3: Conclusion Four merits of external sources of recruitment are **qualified personnel, wider choice, fresh talent and competitive spirit**. Together, they improve access to suitable candidates and can strengthen the organisation's overall workforce.

Quick Tip to Solve: Separate wider choice from fresh talent: the former means more candidates to select from, while the latter means new ideas and capabilities brought into the organisation.

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

(i) Gathering and analysing market information

(ii) Customer support services

(iii) Pricing of product [6 marks]

Solution:

Concept:

- Marketing functions help an enterprise identify customers' needs and satisfy them through a suitable offering. Information, customer service and price each contribute to this process.
- A marketer must understand demand, maintain customer satisfaction and decide the amount a buyer will pay. These decisions influence sales and the firm's competitive position.

Step 1: Explain gathering and analysing market information **(i) Gathering and analysing market information:** A marketer systematically collects information about customers' needs, preferences and buying behaviour, competitors and changes in the business environment. Sources may include customer feedback, market surveys and available market reports. The information helps the firm identify what customers want and recognise market opportunities and threats.

Use the information for decisions: The collected facts are analysed to determine the requirements of the target market and guide marketing decisions. For example, evidence of a growing preference for convenient packs can help a business decide the pack sizes to offer. Thus, research provides a factual basis for developing an appropriate product and marketing programme rather than relying only on guesswork.

Step 2: Explain customer support services **(ii) Customer support services:** Marketing includes services that help buyers obtain satisfactory use of the product, such as after-sales service, technical assistance, maintenance, credit facilities and handling customer complaints. Their purpose is to remove customers' difficulties before or after a purchase and make dealing with the firm convenient.

Build satisfaction and repeat business: Promptly resolving complaints and providing reliable support make the product more useful to the customer and increase satisfaction. Such services can distinguish the firm's offering from competing products, encourage repeat purchases and help retain customers. For example, timely repair assistance for a durable product strengthens the buyer's confidence in the seller.

Step 3: Explain pricing of product **(iii) Pricing of product:** Pricing involves deciding the amount of money customers must pay to buy a product. Price is an important marketing decision because it affects demand, sales revenue and the enterprise's profitability. A price should suit the firm's objectives and the value customers perceive in the offering.

Consider the relevant factors: The marketer considers production and distribution costs, customers' ability and willingness to pay, demand, competitors' prices, government restrictions where applicable, and the firm's pricing objectives. Decisions about discounts and credit terms also form part of pricing. A suitable price helps attract the intended customers while supporting the business's financial goals.

Step 4: Conclusion Gathering and analysing market information guides decisions, customer support services sustain satisfaction, and pricing determines the amount charged for the offering. Together these functions help the enterprise serve its target market effectively.

Quick Tip to Solve: For each marketing function, state what the firm does and then explain how that activity helps it understand, satisfy or attract customers.

OR

34(b). Explain the following as components of Physical Distribution :

(i) Order Processing

(ii) Transportation

(iii) Warehousing [6 marks]

Solution:

Concept:

- Physical distribution concerns the movement of goods from the place of production to the place of consumption. It enables a firm to make products available to customers at the right place and time.
- Order processing, transportation and warehousing are interdependent components. Efficient performance of each supports reliable delivery and customer satisfaction while controlling distribution costs.

Step 1: Explain order processing **(i) Order processing:** This component covers the activities undertaken after a customer places an order until the goods are ready for delivery. These include receiving and checking the order, recording its details, checking the availability of goods and arranging the required documentation, packing and dispatch. Accurate processing ensures that the correct products and quantities are supplied to the correct customer.

Ensure speed and accuracy: A good order-processing system reduces the time between receiving an order and executing it. Delays, incorrect entries or dispatch errors can cause lost sales and customer dissatisfaction. Efficient communication between sales staff, the warehouse and dispatch staff therefore helps the enterprise fulfil orders promptly and reliably.

Step 2: Explain transportation **(ii) Transportation:** Transportation is the physical movement of goods from the place where they are produced to the place where they are required for consumption. Goods may move by road, rail, water or air. This creates place utility because production and consumption frequently take place at different locations.

Select suitable transport: The firm must consider the nature of the goods, distance, cost, speed, reliability and safety when selecting the mode of transport. Perishable goods, for example, require timely delivery. A suitable transport arrangement supports regular availability, protects goods in transit and helps the firm meet delivery commitments at a reasonable cost.

Step 3: Explain warehousing **(iii) Warehousing:** Warehousing refers to storing and protecting goods until they are sold or required for use. Production and consumption may occur at different times, so goods need to be held between these stages. Storage ensures that finished products are available when customers demand them, thereby creating time utility.

Balance availability and storage costs: Warehousing helps maintain a regular supply despite seasonal production or fluctuations in demand. The number, location and capacity of warehouses affect delivery service and cost. Warehouses near markets shorten delivery time, but additional facilities cost more. The firm must balance product availability with storage expenses.

Step 4: Conclusion Order processing converts a customer's order into an accurate dispatch, transportation moves the goods to the required location, and warehousing stores them until needed. Together they help deliver products to customers at the right place and time.

Quick Tip to Solve: Remember the sequence: process the customer's order, move the goods to the required place, and store goods safely until the time they are needed.