CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/1/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. For taking the company out of losses, Ravi Kumar took over as the Managing Director of the struggling 'Vova Watch Company' in January 2020. As soon as he joined, he tried to find out the reason for the company not doing well. He found that the employees were not involved in decision-making and they had to just follow orders, resulting in low morale of employees.

Recognising the need for change, Ravi Kumar started on a journey to bring back the enthusiasm and motivation of the employees. He initiated open dialogues and encouraged them to actively participate in decision-making. Together, they developed action plans to address the company's challenges regarding outdated designs and inefficient production processes etc.

As time passed, 'Vova Watch Company' transformed from a struggling enterprise to a profit making enterprise. Identify the leadership style of Ravi Kumar : [1 mark]

(A) Autocratic leadership style

(B) Democratic leadership style

(C) Free-rein leadership style

(D) Both (A) and (B)

Correct Answer: (B) Democratic leadership style

Solution:

Concept:

- Democratic or participative leadership involves subordinates in decision-making while the leader guides their efforts towards organisational objectives.
- Participation can improve morale because employees understand decisions and feel that their views matter.

Step 1: Identify the decisive case evidence Ravi Kumar initiated open dialogues and encouraged employees to 'actively participate in decision-making'. They developed action plans together. These actions show consultation and shared participation under his leadership.

Step 2: Eliminate the other styles Autocratic leadership concentrates decisions in the leader and expects obedience; this describes the earlier situation, not Ravi Kumar. Free-rein leadership gives subordinates extensive freedom with minimal leader intervention, whereas Ravi actively guided discussions. Therefore the combination of autocratic and democratic styles is also inappropriate.

Step 3: Conclusion Ravi Kumar followed the democratic leadership style. Hence, the correct option is (B).

Quick Tip to Solve: Look for consultation and joint decisions to identify democratic leadership; unrestricted autonomy indicates free-rein leadership.

2. Which of the following is an element of 'Social Environment' ? [1 mark]

(A) Rates of saving and investment

(B) Expectations from the workforce

(C) The nature of relationship of our country with foreign countries

(D) Planned outlay in public and private sectors

Correct Answer: (B) Expectations from the workforce

Solution:

Concept:

- Social environment includes social forces such as customs, values, traditions, lifestyles and society's expectations from business and its workforce.
- Economic and political forces form different dimensions of the business environment.

Step 1: Classify the social factor Expectations from the workforce reflect what society expects of people at work, including their conduct, participation and contribution. Such expectations are rooted in social values and attitudes, so they belong to the social environment.

Step 2: Classify the remaining options Rates of saving and investment and planned outlay in public and private sectors concern economic conditions and policy. Relationships with foreign countries belong to the political environment. None of these is the social factor asked for.

Step 3: Conclusion Expectations from the workforce are an element of the social environment. Hence, the correct option is (B).

Quick Tip to Solve: Classify values and expectations as social, money and investment as economic, and government relationships as political.

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3. Statement I : Delegation is the entrustment of responsibility and authority to another, and the creation of accountability for performance.

Statement II : Irrespective of the extent of delegated authority, the manager shall still be accountable to the same extent as before delegation.

Choose the correct option from the following : [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: (C) Both the Statements are true.

Solution:

Concept:

- Delegation means entrusting responsibility and the required authority to a subordinate, thereby creating accountability for the assigned performance.
- Authority can be delegated, but a superior cannot escape ultimate accountability to the superior

above them.

Step 1: Evaluate Statement I Statement I correctly describes delegation. The subordinate is assigned a task and given authority to perform it; the subordinate must then answer for the results. Thus responsibility, authority and accountability are all involved.

Step 2: Evaluate Statement II and select the combination Statement II is also true. Delegating work does not release the manager from accountability for its completion: the manager remains answerable to the same extent as before. Options (A) and (B) incorrectly reject one true statement, while (D) rejects both.

Step 3: Conclusion Both Statements I and II are true. Hence, the correct option is (C).

Quick Tip to Solve: Keep the two levels distinct: the subordinate becomes accountable, while the superior retains ultimate accountability.

4. _____ refers to doing the task correctly and with minimum cost. [1 mark]

(A) Effectiveness

(B) Coordination

(C) Process

(D) Efficiency

Correct Answer: (D) Efficiency

Solution:

Concept:

- Efficiency means doing a task correctly with minimum cost and waste of resources.
- Effectiveness means accomplishing the desired objective or completing the task, regardless of the resources used.

Step 1: Use the resource clue The phrase minimum cost focuses on the relationship between output and inputs. Performing the task correctly while using fewer resources is efficiency, since the concern is economical use of time, effort and money.

Step 2: Distinguish the alternatives Effectiveness concerns achieving the objective rather than minimising cost. Coordination integrates the efforts of different people and departments. A process is a sequence of related activities. Neither coordination nor process is the term defined in the question.

Step 3: Conclusion Efficiency refers to doing the task correctly and with minimum cost. Hence, the correct option is (D).

Quick Tip to Solve: Associate efficiency with minimum resources and effectiveness with achievement of the intended result.

5. 'Dovex' was a large company with a renowned name in healthcare industry, specialising in the development and production of life saving medications and medical devices. With a strong reputation for ethical practices, 'Dovex' attracted a large number of investors who had great faith in the company's future. This allowed 'Dovex' to raise capital easily from the market whenever expansion or new projects were to be undertaken. As a result, it could pay high dividends to the shareholders. The factor affecting dividend decision discussed above, which allowed 'Dovex' to pay high dividends to the shareholders is : [1 mark]

(A) Cash flow position

(B) Stock market reaction

(C) Legal constraints

(D) Access to capital market

Correct Answer: (D) Access to capital market

Solution:

Concept:

- The dividend decision determines how much profit is distributed to shareholders and how much is retained for future needs.
- A company with easy access to the capital market can raise funds externally and may therefore distribute a larger portion of profits as dividends.

Step 1: Connect the case to the financing factor Dovex could 'raise capital easily from the market whenever expansion or new projects were to be undertaken'. This is direct evidence of access to the capital market. External finance reduces its dependence on retained earnings for growth.

Step 2: Reject the other factors Cash flow position concerns cash available for dividend payments, which is not the particular explanation given. Stock market reaction concerns investors' response to dividend policy, not the ability to raise funds. Legal constraints concern restrictions on dividend payment; no such restriction is discussed.

Step 3: Conclusion The factor is access to the capital market. Hence, the correct option is (D).

Quick Tip to Solve: When a case links high dividends to easy external fund-raising, identify access to the capital market rather than cash availability.

6. "It is a career oriented process designed to help the employees in the progress towards maturity and actualization of their potential capabilities." Identify the process : [1 mark]

(A) Staffing

(B) Selection

(C) Development

(D) Training

Correct Answer: (C) Development

Solution:

Concept:

- Development is a career-oriented process that helps employees grow towards maturity and realise their potential capabilities.
- Training improves knowledge and skills for a particular job, whereas development prepares the individual for broader and future responsibilities.

Step 1: Recognise the scope of the process The description emphasises career progress, maturity and 'potential capabilities'. These refer to the overall growth of an employee over time, which is development rather than improvement in a single current task.

Step 2: Distinguish the other choices Staffing is the wider managerial function of obtaining and maintaining suitable personnel. Selection chooses the most suitable candidate for a job. Training is job-oriented and strengthens specific skills. These do not match the broad career-oriented growth described.

Step 3: Conclusion The process is development. Hence, the correct option is (C).

Quick Tip to Solve: Use career growth and future potential as clues for development; immediate job skills point to training.

7. 'SK Builders' became the market leader in the designer house segment as it was the first to recognize the need of using Artificial Intelligence in designing houses in the changing environment of technological advancement. This highlights the following point of importance of business environment : [1 mark]

(A) It helps to identify threats and early warning signals.

(B) It enables the firm to identify opportunities and getting the first mover advantage.

(C) It helps in tapping useful resources.

(D) It helps in improving performance.

Correct Answer: (B) It enables the firm to identify opportunities and getting the first mover advantage.

Solution:

Concept:

- An opportunity is a favourable external change that can help a business improve its position.
- Early recognition of an opportunity allows a firm to act ahead of competitors and gain a first mover

advantage.

Step 1: Identify the favourable change and early response Artificial Intelligence in house design was a technological opportunity. SK Builders was 'the first to recognize' the need to use it and became the market leader. The case directly connects early recognition with competitive advantage.

Step 2: Separate the closely related options Threat identification concerns adverse changes and warning signals, whereas this change offers an opportunity. Tapping resources concerns obtaining useful inputs, not acting first on a new market possibility. Improved performance is a broad benefit, but the specific clue here is being first and securing leadership.

Step 3: Conclusion The case shows identification of opportunities and getting the first mover advantage. Hence, the correct option is (B).

Quick Tip to Solve: In environment case questions, underline the specific clue: being first to exploit a favourable change signals first mover advantage.

8. In the _____ market, prices are determined and decided by the management of the company.

[1 mark]

(A) Primary

(B) Secondary

(C) Money

(D) Stock

Correct Answer: (A) Primary

Solution:

Concept:

- The primary market deals with the issue of new securities by a company to raise capital.
- The secondary market deals with the purchase and sale of existing securities among investors.

Step 1: Identify who sets the price In a primary issue, the company offers its securities to investors. The management decides the issue price, in accordance with the applicable issue procedure. The words "prices are determined and decided by the management" therefore point to the primary market.

Step 2: Eliminate the other markets In the secondary market, including a stock exchange, prices emerge from demand and supply among buyers and sellers; company management does not determine each trading price. The money market concerns short-term funds and is not the market described here.

Step 3: Conclusion The blank is Primary. Hence, the correct option is (A).

Quick Tip to Solve: Link a company setting an issue price with the primary market; link investor trading prices with the secondary market.

9. The process of estimating fund requirements of a business and specifying the sources of funds is called : [1 mark]

(A) Capital structure

(B) Financial planning

(C) Financial management

(D) Capital budgeting

Correct Answer: (B) Financial planning

Solution:

Concept:

- Financial planning estimates the funds required and specifies their sources.
- It seeks to make funds available at the right time while avoiding shortages and unnecessary surplus.

Step 1: Recognise the two activities The question combines estimating fund requirements with identifying the sources from which those funds will be raised. Together, these activities constitute financial planning.

Step 2: Distinguish related decisions Capital structure is the mix of debt and equity, rather than the whole planning process. Capital budgeting concerns investment in long-term assets. Financial management is the broader function covering investment, financing and dividend decisions; financial planning is the precise process defined in the question.

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

Quick Tip to Solve: Look for both the amount of funds needed and their sources: that combination identifies financial planning.

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10. Statement I : A financial market facilitates the transfer of savings from savers to investors.
Statement II : It gives savers the choice of different investments and helps to channelise surplus funds into the most productive use.
Choose the correct option from the following : [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: (C) Both the Statements are true.

Solution:

Concept:

- A financial market brings savers and investors together and transfers savings to investment uses.
- It offers alternative investment opportunities and helps allocate available funds to productive uses.

Step 1: Check Statement I Statement I is true. Savers supply surplus money, whereas investors

require funds. Financial markets facilitate the movement of savings between these groups through financial assets.

Step 2: Check Statement II and select the combination Statement II is also true. Savers can compare different investments by return, risk and liquidity, while businesses obtain finance for productive activities. Thus both statements describe the mobilisation and allocation function of financial markets. Options (A) and (B) wrongly reject one true statement, and (D) wrongly rejects both.

Step 3: Conclusion Both the Statements are true. Hence, the correct option is (C).

Quick Tip to Solve: For financial-market functions, connect savings mobilisation with the allocation of those savings to productive investment.

11. Choose the incorrect statement from the following about functions of a Stock Exchange : [1 mark]

(A) Provides liquidity and marketability to new securities

(B) Ensures safety of transactions

(C) Contributes to economic growth

(D) Provides scope for speculation

Correct Answer: (A) Provides liquidity and marketability to new securities

Solution:

Concept:

- A stock exchange provides liquidity and marketability to existing securities by facilitating their resale.
- It supports safe regulated trading, economic growth and a controlled scope for speculation.

Step 1: Find the incorrect word Option (A) says that the stock exchange provides liquidity and marketability to "new securities". The stock exchange is a secondary market: its liquidity function relates to existing securities. New securities are issued in the primary market.

Step 2: Verify the remaining statements Option (B) is correct because regulated membership and trading procedures promote safety of transactions. Option (C) is correct because trading helps direct investment and supports capital formation and economic growth. Option (D) is correct because permitted speculation helps maintain liquidity and continuity in prices. Since the question asks for the incorrect statement, these correct functions are not selected.

Step 3: Conclusion The incorrect statement is (A), because the liquidity function concerns existing securities. Hence, the correct option is (A).

Quick Tip to Solve: When an MCQ asks for the incorrect stock-exchange function, check especially whether it says new or existing securities.

12. Online retailer 'Bizen' has grown to be the biggest provider worldwide in the field of e-commerce. Its revenues are growing steadily year after year. It owes its success to the rapid rate of digitisation and its organisational structure. 'Bizen's Managing Director, Mohit makes strategic decisions and has control over the entire organisation. In 'Bizen', jobs of similar nature are grouped together into Human Resource Department, Marketing Department, Purchase Department and Research and Development Department. These departments are further divided into sections and all departmental heads report to Mohit who is the co-ordinating head. This ensures efficiency in the utilization of manpower and minimizes duplication of efforts. The type of organizational structure of 'Bizen' is : [1 mark]

(A) Informal organisational structure

(B) Divisional organisational structure

(C) Functional organisational structure

(D) Both (B) and (C)

Correct Answer: (C) Functional organisational structure

Solution:

Concept:

- A functional structure groups jobs of a similar nature into specialised departments.
- A divisional structure groups activities around products or other distinct business divisions.

Step 1: Use the case evidence The case states that "jobs of similar nature are grouped together" into Human Resource, Marketing, Purchase, and Research and Development departments. These are functional specialisations, so the grouping is functional.

Step 2: Reject the alternatives The departments report to Mohit as the coordinating head, consistent with coordination of functional departments. An informal structure arises from personal relationships rather than deliberate job grouping. A divisional structure would group activities by products or divisions; no such grouping is stated. Therefore neither (B) nor the combination in (D) fits.

Step 3: Conclusion Bizen has a functional organisational structure. Hence, the correct option is (C).

Quick Tip to Solve: Identify the basis of grouping: HR, marketing and purchase indicate functions; separate product units indicate divisions.

13. Match the terms given in Column I with their meanings in Column II :

Column I	Column II
1. Placement	(i) Introducing the selected employee to other employees and familiarising him with the rules and policies of the organisation
2. Recruitment	(ii) It refers to the employee occupying the position or post for which he/she has been selected
3. Orientation	(iii) Evaluating an employee's current and/or past performance as against certain predetermined standards
4. Performance Appraisal	(iv) The process of searching for prospective employees and stimulating them to apply for jobs in the organization

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

(A) 1-(i), 2-(ii), 3-(iii), 4-(iv)

(B) 1-(ii), 2-(iii), 3-(i), 4-(iv)

(C) 1-(ii), 2-(iv), 3-(i), 4-(iii)

(D) 1-(ii), 2-(i), 3-(iv), 4-(iii)

Correct Answer: (C) 1-(ii), 2-(iv), 3-(i), 4-(iii)

Solution:

Concept:

- Placement assigns the selected employee to the position for which the employee has been chosen; orientation introduces the organisation and its people.
- Recruitment attracts prospective applicants, whereas performance appraisal evaluates performance against predetermined standards.

Step 1: Match placement and recruitment Placement means occupying the selected position, so 1 matches (ii). Recruitment searches for prospective employees and stimulates them to apply, so 2 matches (iv). This already excludes options (A), (B) and (D).

Step 2: Confirm orientation and appraisal Orientation familiarises a selected employee with colleagues, organisational rules and policies; hence 3 matches (i). Performance appraisal evaluates current or past performance against standards; hence 4 matches (iii). All four pairs are therefore consistent only in option (C).

Step 3: Conclusion The matching is 1-(ii), 2-(iv), 3-(i), 4-(iii). Hence, the correct option is (C).

Quick Tip to Solve: Remember the sequence of purposes: attract applicants, assign the selected post, introduce the workplace, then assess performance.

14. Plans are prepared for a specific period of time, may be for a month, a quarter or a year. At the end of that period, there is a need for a new plan to be drawn on the basis of new requirements and future conditions. The feature of planning reflected in the above lines is : [1 mark]

(A) Planning is futuristic

(B) Planning is continuous

(C) Planning is pervasive

(D) Planning is a mental exercise

Correct Answer: (B) Planning is continuous

Solution:

Concept:

- Planning is continuous because plans cover a specified period and must be followed by new plans.
- New requirements and changed conditions make reviewing and renewing plans necessary.

Step 1: Locate the decisive words The case says that plans cover a month, a quarter or a year, and that at the end of the period "there is a need for a new plan". This repeated cycle of making and renewing plans demonstrates continuity.

Step 2: Separate the other features Planning is futuristic because it considers future events, but the emphasis here is on replacing an expired plan. Pervasiveness means planning is required at all management levels. A mental exercise concerns intellectual thinking and judgement. Neither of these describes the recurring cycle highlighted in the question.

Step 3: Conclusion The feature is that planning is continuous. Hence, the correct option is (B).

Quick Tip to Solve: A new plan after the previous planning period ends signals continuity; anticipating future events signals futurity.

15. The marketing management philosophy which uses availability and affordability as a means to achieve the objectives is : [1 mark]

(A) Marketing concept

(B) Selling concept

(C) Product concept

(D) Production concept

Correct Answer: (D) Production concept

Solution:

Concept:

- The production concept assumes that consumers prefer products which are widely available and affordable.
- Its main focus is production and distribution efficiency, which enables high output at a low cost.

Step 1: Identify the decisive words The question expressly uses availability and affordability as the means of achieving the firm's objectives. These are the two characteristic concerns of the production

concept: making enough goods and keeping their price within consumers' reach.

Step 2: Compare the other philosophies The product concept emphasises quality, performance and features. The selling concept relies on aggressive selling and promotion to persuade buyers. The marketing concept begins with customer needs and satisfaction. None uses low cost and wide availability as its defining means.

Step 3: Conclusion The philosophy is the production concept. Hence, the correct option is (D).

Quick Tip to Solve: Link availability and affordability with production efficiency; link quality with the product concept.

16. Identify the tool of promotion used by 'Mehta Sons Garments' to boost its sales : [1 mark]



(A) Advertising
(B) Personal selling
(C) Sales promotion
(D) Public relations

Correct Answer: (C) Sales promotion

Solution:

Concept:

- Sales promotion comprises short-term incentives intended to encourage immediate purchase.
- Discounts reduce the usual price temporarily and are a common sales-promotion technique.

Step 1: Read the offer in the picture The Mehta Sons Garments display says "50% OFF and "ONLY FOR 2 days. The reduction gives customers a financial incentive to buy now, while the two-day limit creates urgency.

Step 2: Distinguish the promotion tools This is sales promotion through a discount. Advertising communicates a persuasive message through paid impersonal media, personal selling involves interaction with a salesperson, and public relations develops favourable relations and goodwill. The decisive feature here is the temporary price incentive, even though a sign communicates the offer.

Step 3: Conclusion Mehta Sons Garments uses sales promotion, specifically a discount. Hence, the correct option is (C).

Quick Tip to Solve: Identify the incentive itself: a limited-period discount is sales promotion, whatever medium announces it.

17. Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from the options given below :

Assertion (A) : Many enlightened business firms have set up their own consumer service and grievance cells.

Reason (R) : The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or service. [1 mark]

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Correct Answer: (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Solution:

Concept:

- The right to be heard gives consumers a right to complain and have their interests considered when dissatisfied with goods or services.
- Responsible firms establish consumer service and grievance cells to provide a channel for hearing and resolving such complaints.

Step 1: Evaluate the assertion The assertion is true. Many enlightened business firms have their own consumer service and grievance cells so that consumers can communicate dissatisfaction and seek a remedy directly from the business.

Step 2: Evaluate the reason The reason is also true. Consumers have the right to file a complaint and be heard when a good or service does not satisfy them; their grievances should receive due consideration.

Step 3: Test the explanatory connection The grievance cells provide the very mechanism through which the right to be heard can be exercised at the firm level. The reason therefore explains why enlightened firms establish the cells, rather than merely stating an unrelated consumer right.

Step 4: Conclusion Both Assertion (A) and Reason (R) are true, and Reason (R) correctly explains Assertion (A). Hence, the correct option is (A).

Quick Tip to Solve: For an assertion about grievance cells, test whether the reason describes the right those cells help consumers exercise.

18. Which of the following is not a component of 'Physical Distribution' ? [1 mark]

(A) Inventory control

(B) Standardisation and grading

(C) Order processing

(D) Transportation

Correct Answer: (B) Standardisation and grading

Solution:

Concept:

- Physical distribution deals with moving goods from producers to customers and making them available at the required place and time.
- Its principal components include order processing, transportation, warehousing and inventory control.

Step 1: Identify the distribution activities Order processing starts the fulfilment of customer orders. Transportation physically moves goods, while inventory control determines appropriate stock levels to meet demand without excessive holding costs. Thus options (A), (C) and (D) are components of physical distribution.

Step 2: Separate product-related marketing functions Standardisation establishes specifications for a product, and grading classifies products into groups according to their characteristics or quality. These are marketing functions concerned with uniformity and classification, rather than the physical movement and storage of goods.

Step 3: Conclusion Standardisation and grading is not a component of physical distribution. Hence, the correct option is (B).

Quick Tip to Solve: Recall the physical-distribution cluster: orders, transport, warehouses and inventory; product classification lies outside it.

19. Beenu had a bookstore in Sabad called 'Book-mark'. For years, the bookstore was doing reasonably well but with the rise of digital books and online retailers, her sales had declined. Beenu's daughter, who had just completed her MBA with a specialisation in marketing decided to launch a marketing campaign to revive the bookstore. The campaign's focus was on the joy of reading books in physical form, the joy of turning pages and the warm atmosphere of the bookstore. She organised story writing and other competitions every weekend. The information of these was given to the parents and children through television, radio, children's magazines, etc. Attractive prizes were offered to the winners. This increased the footfall of the children and their parents and the bookstore soon became popular.

The tool of communication used by Beenu's daughter to revive the bookstore was : [1 mark]

(A) Advertising

(B) Personal selling

(C) Sales promotion

(D) Public relations

Correct Answer: (D) Public relations

Solution:

Concept:

- Public relations covers activities intended to develop favourable relations, interest and goodwill among the organisation's publics.
- Events and their publicity can draw public attention to an organisation and help revive its image.

Step 1: Identify the goodwill-building activity Beenu's daughter promoted the joy of physical books and the bookstore's warm atmosphere. She organised "story writing and other competitions every weekend" and spread information about these events among parents and children. These activities brought the bookstore into contact with its public and created favourable interest in it, making public relations the best description of the overall campaign.

Step 2: Distinguish the other communication tools Media information alone does not establish a paid advertisement by an identified sponsor. No direct interaction by a salesperson is stated, so personal selling does not apply. Although prizes attract participants, the case does not describe a purchase-linked offer or discount; its emphasis is community events and publicity that make the bookstore popular. Hence public relations, rather than the narrower sales-promotion incentive, describes the campaign.

Step 3: Conclusion The tool of communication was public relations. Hence, the correct option is (D).

Quick Tip to Solve: Events that build goodwill and public interest point to public relations; distinguish these from paid advertisements and purchase incentives.

20. 'Best Electronics' is led by its visionary Chief Executive Officer, Nikhil. It has a reputation for good quality products and customer service. Nikhil recognised the need to continually innovate and provide customers with the latest products. He wanted the company to be the market leader in electronics.

Nikhil knew that to realise his ambitious vision, he needed a clear and well-defined plan that would provide broad contours of the company's business. His team conducted extensive market research to uncover emerging trends, customer preferences, and potential competitors. On its basis, a plan was prepared defining the company's direction and scope in the long run. On the implementation of the plan 'Best Electronics' became the market leader in two years. The type of plan which helped 'Best Electronics' to become the market leader was : [1 mark]

(A) Policy

(B) Rule

(C) Strategy

(D) Procedure

Correct Answer: (C) Strategy

Solution:

Concept:

- A strategy is a comprehensive plan which sets the broad direction and scope of an enterprise in the long run.
- It integrates long-term objectives and a course of action, taking the business environment and competitors into account.

Step 1: Connect the case to a strategic plan Nikhil wanted market leadership and a plan providing the "broad contours of the company's business. His team studied emerging trends, customer preferences and potential competitors, and defined the company's direction and scope in the long run. Together these cues identify a strategy.

Step 2: Rule out narrower plans A policy is a general guide to thinking and decision-making. A rule states exactly what must or must not be done, leaving no discretion. A procedure lays down a sequence of steps for a recurring activity. None is the comprehensive long-term plan based on environmental analysis described in the case.

Step 3: Conclusion The plan which helped Best Electronics become the market leader was a strategy. Hence, the correct option is (C).

Quick Tip to Solve: Broad contours, long-term direction and analysis of competitors are the characteristic signals of a strategy.

21(a). State any three features of business environment. [3 marks]

Solution:

Concept:

- Business environment means the sum total of individuals, institutions and other forces outside an enterprise's control that may affect its performance.
- Its features describe the nature of these external forces, rather than the benefits a business obtains from studying them.

Step 1: State the first two features **Totality of external forces:** The business environment is the aggregate of all forces external to a business. Economic conditions, government policy, social attitudes and technology together constitute its environment; it does not refer to only one external influence.

Specific and general forces: Specific forces, such as customers, suppliers, competitors and investors, directly affect the day-to-day working of an individual enterprise. General forces, such as economic, social, political, legal and technological conditions, influence enterprises indirectly and affect businesses more broadly.

Step 2: State the third feature **Interrelatedness:** Different elements of the business environment are closely related and influence one another. For example, increased health awareness is a social change that can raise demand for healthy food and fitness services. Thus, a change in one element can produce changes in other elements, and managers should consider their combined effect rather than examining each force in isolation.

Step 3: Conclusion Three features of business environment are totality of external forces, the presence of specific and general forces, and interrelatedness of its different elements.

Quick Tip to Solve: For a question on features, describe what the environment is like; do not replace features with benefits such as identifying opportunities.

OR

21(b). State any three features of 'Demonetization'. [3 marks]

Solution:

Concept:

- Demonetisation is the withdrawal of the legal-tender status of specified currency notes, so that they cease to be valid money for ordinary transactions.
- In the business environment, demonetisation is an economic policy measure with implications for tax compliance and the movement of money through the formal financial system.

Step 1: State its tax-related features **Tax administration measure:** Demonetisation is viewed as a measure of tax administration. People holding unaccounted cash are required to bring it into the banking system through the prescribed process. Deposits create a record that can be examined by tax authorities, making it harder to keep such money concealed.

Signal against tax evasion: It signals that tax evasion will no longer be tolerated or accepted. Holders

of undisclosed income face the possibility of scrutiny, taxes and penalties. This encourages people to disclose income correctly and comply with tax requirements instead of treating evasion as a normal practice.

Step 2: State its financial-system feature **Channelising savings into the formal financial system:** Demonetisation encourages money held outside organised financial channels to move into bank accounts and other formal savings avenues. Once cash is deposited in banks, it becomes part of the recorded financial system and can support the mobilisation of savings. This feature concerns the direction of savings towards formal institutions, rather than merely a change in the appearance of currency notes.

Step 3: Conclusion Three features are its role as a tax administration measure, its signal that tax evasion will not be tolerated, and its channelisation of savings into the formal financial system.

Quick Tip to Solve: Remember the sequence: trace unaccounted cash, discourage tax evasion, and bring savings into formal financial channels.

22. Kanav, after passing out of college with specialization in renewable energy, was determined to start a solar power plant. The venture required heavy investment in plant and machinery and less on manual labour. Kanav invested in the latest solar panel technology and infrastructure and purchased the latest solar panels, inverters and battery storage systems.

Despite the high risk and substantial investment, Kanav's business had good expansion possibilities. The world was increasingly moving towards clean energy solutions, and there was a growing demand for sustainable power sources. So, Kanav decided to create a higher capacity to meet the anticipated demand quickly. This entailed further investment in fixed assets which Kanav was able to arrange.

As the years passed, the solar power plant did very well and played a pivotal role in the city's transition towards a greener and more sustainable future.

Identify and explain the two factors affecting the fixed capital requirements discussed in the above case. [3 marks]

Solution:

Concept:

- Fixed capital refers to investment in long-term assets such as plant, machinery and equipment. The amount required depends on the production technique and the enterprise's expected growth, among other factors.
- A case-based answer should connect each factor to the exact investment decision described, then explain how it changes the requirement for fixed assets.

Step 1: Identify and explain the choice of technique **Choice of technique:** The case says that the venture required "heavy investment in plant and machinery and less on manual labour". This identifies a capital-intensive production technique. Kanav also purchased solar panels, inverters and battery storage systems. A capital-intensive enterprise requires a larger investment in plant and machinery than an enterprise using a labour-intensive technique. Therefore, this choice of technique raises the solar power plant's fixed capital requirement.

Step 2: Identify and explain the growth prospects **Growth prospects:** The business had "good expansion possibilities", and Kanav decided to "create a higher capacity to meet the anticipated demand quickly". An enterprise expecting strong growth needs additional production facilities and other fixed assets so that it can expand output when demand rises. Creating capacity in advance therefore increases its present requirement for fixed capital. Kanav's further investment in fixed assets is directly linked to the growing demand for sustainable power.

Step 3: Conclusion The two factors are choice of technique and growth prospects. The capital-intensive solar power plant needs substantial machinery, while its expected expansion requires additional fixed assets and production capacity.

Quick Tip to Solve: Link "machinery rather than manual labour" to choice of technique, and "higher capacity for anticipated demand" to growth prospects.

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23. A renowned car company named 'BB Motors' was known for producing high performance cars. They were committed to ensure that its employees had the skills and knowledge to build these innovative high-performance cars. To achieve this, they implemented a unique approach for training. The company transformed a section of its factory into what they called the 'Learning Floor'. Actual work environment was created by allotting a specialized space. The space was equipped with a range of car components, tools and sophisticated car equipment identical to those used on the factory floor, where the company's employees would undergo their training.

Identify and explain the method of training used by 'BB Motors' to ensure that its employees had the skills and knowledge to build innovative high-performance cars. [3 marks]

Solution:

Concept:

- Training is a systematic process of improving employees' knowledge and skills for a particular job. Vestibule training is an off-the-job method that reproduces the actual work environment in a separate training area.
- The identifying feature is the use of equipment and materials similar to those used at the actual workplace, while employees learn away from normal production work.

Step 1: Identify the method from the case The method used by BB Motors is **vestibule training**. The case says that an 'actual work environment was created by allotting a specialized space'. Its 'Learning Floor' contains car components, tools and equipment 'identical to those used on the factory floor'. These details show that employees are practising in a simulated workplace rather than learning directly on the running production line.

Step 2: Explain how the method works **Separate training workplace:** A training area is set up to duplicate the actual working environment. Employees receive instruction and practise the tasks they will later perform on their jobs.

Similar machinery and equipment: The tools and equipment used for training resemble those used in production, so trainees develop relevant operating skills before handling regular work.

Learning without disrupting production: Since practice occurs in the training area, trainees can

learn and make corrections without holding up normal factory operations. This method is particularly useful where sophisticated machinery requires careful handling, as in the high-performance car factory.

Step 3: Conclusion BB Motors uses vestibule training: employees learn in a separate Learning Floor that recreates the factory environment with equipment identical to that used in production.

Quick Tip to Solve: Look for a separate simulated workplace with the same equipment: that is vestibule training, even when the training area lies inside the factory premises.

24(a). State any three protective functions of Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- SEBI protects investors and promotes a fair securities market. Protective functions prevent investors from being misled or disadvantaged by unfair conduct.
- Protective functions must be distinguished from developmental functions, such as training intermediaries, and regulatory functions, such as registering brokers.

Step 1: State protection against fraudulent practices **Prohibiting fraudulent and unfair trade practices:** SEBI acts against practices such as making misleading statements or manipulating securities prices. Such conduct can create a false impression of a security's value and induce investors to buy or sell on an unfair basis. Checking these practices protects investors from artificial prices and dishonest dealings.

Step 2: State the other two protective functions **Controlling insider trading:** SEBI prohibits persons with access to unpublished price-sensitive information about a company from using it to gain an unfair advantage in securities transactions. This protects ordinary investors who do not possess that confidential information.

Undertaking investor protection measures: SEBI takes steps to safeguard investors' interests, including educating investors and promoting awareness of their rights and the precautions needed when investing. Informed investors are better able to recognise misleading offers and avoid exploitation. These measures complement action against malpractice by helping investors make careful decisions.

Step 3: Conclusion Three protective functions are prohibiting fraudulent and unfair trade practices, controlling insider trading, and undertaking investor protection measures such as investor education.

Quick Tip to Solve: For protective functions, think of shielding investors: stop fraud, stop misuse of inside information, and improve investor awareness.

OR

24(b). Differentiate between 'Money Market' and 'Capital Market' on any three bases. [3 marks]

Solution:

Concept:

- The money market deals in short-term financial assets with a maturity of up to one year. The capital market deals in medium- and long-term funds, through instruments such as shares and debentures.
- Compare the two markets on the same basis in each row. Duration, participants and instruments provide three clear NCERT bases of distinction.

Step 1: Select comparable bases Use **duration**, **participants** and **instruments**. Duration concerns how long funds are supplied, participants concern who commonly transacts, and instruments concern the securities used. Shares represent ownership rather than a fixed short-term loan, whereas a treasury bill is a short-term money-market instrument.

Step 2: Present the three differences

Basis	**Money Market**	**Capital Market**
Duration	Deals in short-term funds; instruments normally mature within one year.	Deals in medium- and long-term funds; securities have a period exceeding one year, and shares have no fixed maturity.
Participants	Main participants are the RBI, commercial banks and financial institutions; transactions are largely institutional.	Main participants include financial institutions, banks, corporate entities, foreign investors and ordinary retail investors.
Instruments	Instruments include treasury bills, commercial paper, call money, certificates of deposit and commercial bills.	Instruments include equity shares, preference shares, bonds and debentures.

Step 3: Conclusion The money market serves short-term funding through money-market instruments and mainly institutional participants; the capital market serves medium- and long-term funding through shares and debt securities with wider investor participation.

Quick Tip to Solve: Write a Basis column and compare like with like in every row; treasury bills belong to the money market, while shares and debentures belong to the capital market.

25. 'Verfab' was a garment manufacturing company known for its high quality fashionable clothing. They had been in the fashionable clothing business for the last 23 years. The company was earning enough profit and the demand for their fashionable clothing was rising tremendously. The company was expanding and needed to hire new talent to meet the growing demand. They followed a comprehensive process to ensure that they brought in the best candidates.

The process began with a first-round evaluation of applications. The Human Resources team carefully reviewed each candidate's qualifications, experience and suitability for the available positions. It eliminated unqualified or unfit job seekers based on the information supplied in the application forms and shortlisted 21 candidates who met the basic requirements.

The shortlisted candidates were then asked to take a series of tests that attempted to measure certain characteristics of individuals, ranging from manual dexterity to intelligence to personality. These tests included assessments of their sewing skills, attention to detail, and knowledge of garment manufacturing processes.

15 candidates who performed well in the tests were invited for a formal in-depth conversation with the senior staff from the design team. Thereafter, 10 candidates were found suitable for the job position available.

Since these 10 candidates had cleared all the above steps, 'Verfab' conducted verification by contacting their previous employers to confirm the details the candidates had provided.

Thereafter, a decision was made to choose 8 candidates who were best fitted for the roles.

Explain the steps of the comprehensive process discussed above till the verification stage, to ensure that the company brought in the best candidates to meet the growing demand for fashionable clothing. [4 marks]

Solution:

Concept:

- Selection is the process of choosing from the applicants those persons who are best suited for a job. It matches the requirements of a position with the abilities and suitability of candidates.
- The selection process uses successive stages to eliminate unsuitable applicants and obtain reliable information about those who remain. The case asks for the stages only up to verification of references.

Step 1: Explain preliminary screening **Preliminary screening:** The first step helps the manager eliminate unqualified or unfit job seekers on the basis of information supplied in their application forms. Qualifications, experience and suitability are checked against the minimum job requirements. Verfab's HR team "eliminated unqualified or unfit job seekers" and shortlisted 21 candidates who met the basic requirements. This is an initial screening, rather than the final choice of employees.

Step 2: Explain selection tests **Selection tests:** These tests measure characteristics of individuals ranging from manual dexterity to intelligence and personality. They provide an objective basis for assessing abilities relevant to the job. Verfab asked the shortlisted candidates to take tests of "sewing skills, attention to detail, and knowledge of garment manufacturing processes." These assessments helped determine which applicants had the capabilities needed for garment production; 15 performed well enough to proceed.

Step 3: Explain the employment interview **Employment interview:** This is a formal, in-depth

conversation conducted to evaluate the applicant's suitability for the job. It enables the interviewer to seek information, clarify responses and assess the candidate more closely; the applicant can also obtain information about the organisation. The 15 candidates were invited for a "formal in-depth conversation" with senior design-team staff. Ten candidates were found suitable after this stage.

Step 4: Explain reference and background checks **Reference and background checks:** The employer obtains additional information about candidates and verifies the information already supplied by contacting persons who know them, such as previous employers. Verfab contacted the ten candidates' "previous employers to confirm the details" they had provided. This checks the reliability of their claims before the company makes its selection decision.

Step 5: Conclusion The four stages discussed up to verification are preliminary screening, selection tests, employment interview, and reference and background checks. The later decision to choose eight candidates is the selection decision and lies beyond the verification stage requested.

Quick Tip to Solve: Match the case's action to the selection stage: application check, tests, conversation, and confirmation from past employers correspond to the first four stages in that order.

26(a). State any four characteristics of management. [4 marks]

Solution:

Concept:

- Management is the process of getting things done with the aim of achieving organisational goals effectively and efficiently. Its characteristics explain how managerial work operates in different organisations.
- Any four recognised characteristics may be stated. Goal orientation, pervasiveness, multidimensionality and continuity describe distinct features of management rather than individual managerial functions.

Step 1: State goal orientation and pervasiveness **Management is a goal-oriented process:** Every organisation has a set of basic goals that provide the reason for its existence. Management unites the efforts of different individuals towards achieving these goals. For example, managers coordinate production and sales activities so that the organisation's targets can be achieved, rather than allowing departments to pursue unrelated ends.

Management is all pervasive: The activities involved in managing an enterprise are common to all organisations, whether economic, social or political, and to all levels of management. A business, hospital and school all require management, although the nature and scale of their activities differ. Thus management is needed wherever people work together to achieve common objectives.

Step 2: State multidimensionality and continuity **Management is multidimensional:** Management involves the management of work, people and operations. Work has to be translated into goals and tasks; people must be directed as individuals and as a group; and the production process must transform inputs into the desired output. These dimensions are interrelated and must be managed together for organisational success.

Management is a continuous process: Management consists of a series of continuous, composite

but separate functions, namely planning, organising, staffing, directing and controlling. Managers perform these functions on an ongoing basis, often simultaneously. Achieving one target does not end management, because new goals, activities and problems continue to arise.

Step 3: Conclusion Four characteristics of management are that it is a goal-oriented process, all pervasive, multidimensional, and a continuous process. Each characteristic describes an essential feature of managerial activity across organisations.

Quick Tip to Solve: State the characteristic as a clear heading and add its defining idea. Do not merely list planning and organising when asked for characteristics; those are management functions.

OR

26(b). State any four functions performed by Top Level Management. [4 marks]

Solution:

Concept:

- Top level management consists of the senior-most executives, such as the chairperson, chief executive officer and managing director. They have overall authority and responsibility for the organisation.
- Their main concern is the organisation as a whole: its objectives, strategy, coordination and continued survival in a changing business environment.

Step 1: State the functions relating to direction and planning

- **Determine overall organisational objectives:** Top management establishes the broad goals which the organisation is to achieve. These objectives provide direction to the work of departments and help managers decide what results their activities must produce.
- **Formulate overall strategies and policies:** It decides the broad course of action for achieving organisational objectives and frames policies to guide decision-making. Such decisions concern the organisation as a whole and provide a framework within which lower levels prepare their plans.

Step 2: State the functions relating to integration and survival

- **Integrate and coordinate departmental activities:** Top managers bring together the efforts of different departments so that they work towards common organisational objectives. They reconcile differing departmental interests and secure cooperation instead of allowing each department to pursue its goals in isolation.
- **Ensure the survival and welfare of the organisation:** Top management analyses the business environment and its implications for the enterprise. It takes responsibility for the organisation's long-term survival, growth and overall welfare, making decisions that enable it to respond to opportunities and threats.

Step 3: Conclusion Four functions of top level management are determining overall objectives, formulating overall strategies and policies, integrating departmental activities, and ensuring the organisation's survival and welfare.

Quick Tip to Solve: Associate top management with the whole enterprise and long-term direction; departmental implementation and day-to-day supervision belong mainly to lower levels.

27. Differentiate between 'Delegation' and 'Decentralisation' on any four bases. [4 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate for carrying out assigned duties. The superior remains accountable for the results.
- Decentralisation means the systematic delegation of authority throughout the organisation, extending decision-making to lower management levels. It reflects a policy concerning the distribution of decision-making power.

Step 1: Identify the scope of the two concepts Delegation concerns a particular superior-subordinate relationship: a manager assigns work and gives the authority needed to perform it. Decentralisation concerns the organisation as a whole: management deliberately gives lower levels greater freedom to take decisions. Thus, decentralisation extends delegation systematically across levels rather than describing only an individual act of entrustment.

Step 2: Compare them on four bases

Basis	Delegation	Decentralisation
Nature	It is a compulsory act because no manager can personally perform all the work assigned to them.	It is an optional policy decision; top management decides how widely authority should be dispersed.
Freedom of action	Subordinates have relatively less freedom, as they exercise authority within the limits and supervision set by the superior.	Lower levels have greater freedom to take decisions because authority is systematically dispersed.
Scope	Its scope is narrow, involving the transfer of authority from a superior to a subordinate.	Its scope is wide, involving the extension of decision-making authority to lower levels throughout the organisation.
Purpose	It primarily reduces the manager's workload by enabling subordinates to carry out assigned tasks.	It increases the role of subordinates by giving them greater autonomy and participation in organisational decisions.

Step 3: Conclusion Delegation and decentralisation differ in nature, freedom of action, scope and purpose. Delegation is essential for managers to get work done, while decentralisation is a broader policy of distributing decision-making authority across organisational levels.

Quick Tip to Solve: Compare each concept on the same basis in a separate row. Remember: decentralisation is systematic delegation throughout the organisation, so its scope and autonomy are greater.

28(a). Explain how the following factors affect the working capital requirement of a business :

(i) Operating efficiency

(ii) Credit availed [4 marks]

Solution:

Concept:

- Working capital finances day-to-day operations, including inventories, debtors and cash. Its requirement depends on the speed at which funds move through the operating cycle.
- Efficient operations reduce funds blocked in current assets, while credit received from suppliers provides short-term finance and reduces the amount the business must arrange itself.

Step 1: Explain the effect of operating efficiency **(i) Operating efficiency:** A firm with efficient operations can minimise wastage of materials, use its resources economically and complete production and sales without unnecessary delays. Better inventory management prevents excessive stocks, and prompt collection from debtors releases cash sooner. Thus, less money remains blocked in inventories and receivables at any time, reducing the working capital requirement. Conversely, inefficient operations, avoidable wastage and delays tie up funds for longer and increase the working capital needed to sustain the same level of business.

Step 2: Explain the effect of credit availed **(ii) Credit availed:** Credit availed means the period of credit allowed to the business by its suppliers when it purchases materials or goods. If suppliers allow a longer credit period, the firm can receive and use the goods before paying for them. Trade creditors therefore finance part of the operating cycle, and the firm needs to arrange less working capital from its own funds or other sources. If purchases must be paid for immediately, or the supplier allows only a short credit period, this source of finance is smaller and the firm's working capital requirement is higher. This factor concerns credit received from suppliers, rather than credit granted to customers.

Step 3: Conclusion Greater operating efficiency lowers working capital needs by reducing waste and funds blocked in operations. More credit availed from suppliers also lowers the working capital the firm must arrange; lower efficiency or less supplier credit has the opposite effect.

Quick Tip to Solve: Trace when cash leaves and returns: faster operations release cash sooner, while longer supplier credit postpones the cash payment.

OR

28(b). Explain how the following factors affect the choice of capital structure of a company :

(i) Flexibility

(ii) Cost of equity [4 marks]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company. Its choice should balance financing cost, financial risk and the ability to raise funds in future.
- Debt creates compulsory interest and repayment commitments. Increasing debt can raise the

financial risk borne by equity shareholders and consequently the return they expect.

Step 1: Explain how flexibility influences the financing mix **(i) Flexibility:** A company should choose a capital structure that preserves its ability to obtain additional finance when future needs or opportunities arise. If it uses its debt capacity fully at present, it may find it difficult to borrow later, particularly under adverse conditions or when lenders impose restrictions. It should therefore maintain some unused borrowing capacity. A company that wants greater financial flexibility may use less debt now, even when lenders would be willing to provide more. Keeping borrowing capacity in reserve enables it to raise debt in an emergency without having to depend entirely on a fresh equity issue. Thus, flexibility requires judging present borrowing against the company's possible future financing needs.

Step 2: Explain how the cost of equity influences the financing mix **(ii) Cost of equity:** The cost of equity is the return equity shareholders expect for bearing the risk of investing in the company. As the proportion of debt rises, fixed interest commitments increase. Equity shareholders receive the residual earnings after these commitments, so their earnings become more uncertain and their financial risk increases. Beyond a point, shareholders demand a higher return as compensation, raising the cost of equity. Consequently, although debt may initially be a cheaper source of finance, excessive debt can make equity more expensive and offset that advantage. The company should avoid a debt level that raises its equity cost so much that the overall financing cost becomes unfavourable.

Step 3: Conclusion The company should preserve unused borrowing capacity for flexibility and consider the increase in shareholders' required return caused by excessive debt. These considerations favour a balanced debt-equity mix rather than borrowing up to the maximum possible limit.

Quick Tip to Solve: Link flexibility to borrowing capacity kept for the future, and cost of equity to the extra return shareholders demand when debt raises their risk.

29. Piyush is the Production Manager of a shoe company 'Comforty'. He has 1000 workers under him in his department. Piyush booked a special order for 300 pairs of gents shoes at an estimated cost price of ₹ 500 per pair plus a 20% profit margin. This order is to be completed within 10 days. After completion of the order, Piyush found out that the production cost of one pair of shoes was ₹ 700. He tried to find out the reason but he couldn't. He reported it to the Chief Executive Officer. For this the Chief Executive Officer appointed Abhay, who was not only a specialized Cost Accountant, but also a qualified Human Resource Manager. After two days, Abhay reported that the set target could have been completed by only 800 workers. This revealed that there was overmanning in the organization. The organization was not utilizing the human resources optimally which had led to high labour cost.

The above case highlights an important function of management.

(i) Identify the function of management discussed above.

(ii) State any three points of importance of the function identified in (i) above. [4 marks]

Solution:

Concept:

- Controlling is the management function of comparing actual performance with established standards, identifying deviations and taking corrective action so that organisational goals are achieved.
- The importance of controlling includes accomplishing organisational goals, making efficient use of resources and judging the accuracy of standards.

Step 1: Identify the function from the comparison and investigation The function is **controlling**. Comforty set an estimated cost of Rs 500 per pair, but the actual cost was Rs 700 per pair. Piyush compared the actual result with the cost standard and investigated the unfavourable deviation. Abhay's finding that the target could have been completed by only 800 workers identifies overmanning as the cause. The words "not utilizing the human resources optimally" explain why the cost rose. Investigating this deviation provides the basis for corrective action; it is not merely the initial staffing of jobs.

Step 2: State three points of importance

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals, brings deviations to light and indicates corrective action. It keeps activities on the right track so that planned targets can be achieved.
- **Making efficient use of resources:** Control requires activities to conform to predetermined standards. This reduces wastage and spoilage and ensures effective and efficient use of human and other resources. In Comforty's case, identifying the excess workforce can help prevent unnecessarily high labour cost.
- **Judging accuracy of standards:** A sound control system helps management verify whether its standards are accurate and objective. Careful checking of the changes occurring in the organisation and its environment helps review and revise standards when necessary, rather than continuing with unrealistic benchmarks.

Step 3: Conclusion (i) The function is **controlling**. (ii) It helps accomplish organisational goals, makes efficient use of resources and enables management to judge the accuracy of standards.

Quick Tip to Solve: In a case, look for a planned standard, actual performance and investigation of a deviation: together these identify controlling.

30. Anuj, after a lot of research, paid 'SS Developers' an advance of ₹ 2 crore to build a lavish house for him. They promised to deliver the property within 18 months. At the end of 18 months, Anuj asked for the delivery of the property many times but the developer did not respond. Anuj realized that 'SS Developers' was not in a position to hand over the property to him. Anuj asked for a refund of the money with interest, which 'SS Developers' refused. Anuj approached the consumer court with his complaint.

(i) Which grievance redressal agency had Anuj approached ?

(ii) State any three reliefs Anuj is likely to get, if the consumer court is satisfied with the complaint.

[4 marks]

Solution:

Concept:

- The Consumer Protection Act provides a three-tier redressal machinery consisting of the District Commission, State Commission and National Commission. The value of the consideration paid determines the appropriate pecuniary jurisdiction.
- A consumer commission can order relief against deficiency in a service, including refund, compensation and payment of the complainant's litigation costs.

Step 1: Identify the appropriate redressal agency Anuj has approached the **State Consumer Disputes Redressal Commission (State Commission)**. The consideration paid for the housing service is Rs 2 crore, bringing this complaint within the State Commission's pecuniary jurisdiction. The developer's failure to deliver the house within the promised 18 months and its refusal to refund the advance constitute the deficiency in service about which he complains. He is a consumer who has paid consideration for a service; the case concerns the housing service purchased for him.

Step 2: State three reliefs relevant to his complaint If the commission is satisfied that the complaint is justified, it may grant the following reliefs:

- **Refund of the amount paid:** It may order SS Developers to return the Rs 2 crore paid by Anuj for the undelivered property. Appropriate interest may accompany the refund as ordered by the commission.
- **Compensation for loss or injury:** It may direct the developer to pay reasonable compensation for the loss or injury Anuj suffered due to its negligence or deficiency in service. Compensation addresses the harm caused by the failure to fulfil the promised housing service; it is distinct from returning his own advance.
- **Payment of litigation costs:** It may order the developer to pay adequate costs incurred by Anuj in pursuing the complaint. This relieves the successful complainant of the expense of seeking redressal through the consumer machinery.

Step 3: Conclusion (i) The agency is the **State Commission**. (ii) Three suitable reliefs are refund of his advance with interest as ordered, compensation for the loss or injury suffered, and payment of adequate litigation costs.

Quick Tip to Solve: Identify the commission using the consideration paid, then choose remedies that fit the defect: for an undelivered house, refund, compensation and litigation costs are directly relevant.

31(a). Explain the following techniques of Scientific Management :

(i) Time study

(ii) Differential piece wage system

(iii) Motion study [6 marks]

Solution:

Concept:

- Scientific management replaces rule-of-thumb methods with systematic observation and analysis to determine the best way of doing work.
- Taylor's techniques improve efficiency by setting a standard time, linking wages to efficiency and eliminating unnecessary movements.

Step 1: Explain time study **(i) Time study: Meaning and method.** Time study determines the standard time taken to perform a well-defined job. Timing devices are used to measure the time for each element of the job, and several observations are taken. The standard is fixed for a worker of reasonable skill and efficiency working under normal conditions, rather than from a single unusually fast performance.

Purpose. It helps determine how many workers are required, frame suitable incentive schemes and estimate labour costs. Once the standard time is established, management can plan the expected output and allocate labour scientifically. Thus, it answers how long the specified work should take.

Step 2: Explain the differential piece wage system **(ii) Differential piece wage system: Meaning and method.** Under this system, workers are paid according to the quantity they produce, but different piece rates apply to efficient and inefficient workers. A standard level of output is first fixed using scientific study. Workers who attain or exceed the standard receive a higher rate per piece; workers who fall below it receive a lower rate per piece.

Purpose. The difference in rates rewards efficiency and motivates workers to reach the prescribed standard. It distinguishes efficient workers from inefficient workers through their output, rather than paying all workers the same amount merely for spending the same time at work. The standard and the higher reward should be communicated clearly so that the incentive is understood.

Step 3: Explain motion study **(iii) Motion study: Meaning and method.** Motion study examines the movements made while doing a job, such as lifting, putting objects down, sitting and changing position. It identifies productive, incidental and unproductive movements. Unnecessary movements are eliminated, and the remaining movements are arranged in a more efficient sequence.

Purpose. It aims to complete the job with fewer necessary movements, saving time and energy and improving efficiency. For example, placing tools within easy reach can remove repeated searching and stretching. It studies the way the body moves during work; time study, by comparison, measures the time needed for that work.

Step 4: Conclusion Time study fixes the standard time for a job; differential piece wages reward workers who achieve the standard with a higher piece rate; and motion study eliminates wasteful movements. Together, these techniques make work and its rewards more scientific.

Quick Tip to Solve: Remember the focus of each technique: time study measures duration, differential piece wages motivate through rates, and motion study removes unnecessary movements.

OR

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

(i) General guidelines

(ii) Mainly behavioural

(iii) Formed by practice and experimentation [6 marks]

Solution:

Concept:

- Principles of management are broad statements that guide managers in making decisions and influencing organisational behaviour.
- They are developed from experience and testing. Since management deals with people and changing situations, their application requires judgement rather than mechanical obedience.

Step 1: Explain general guidelines **(i) General guidelines: Broad direction.** Management principles provide broad guidelines for managerial decision-making. They do not provide a ready-made solution to every problem or a rigid prescription for every situation. A manager must assess the circumstances and adapt the principle to the requirements of the organisation.

Why judgement is needed. Business situations are complex and dynamic and are influenced by several factors. For example, the principle of fair remuneration guides a manager to compensate workers fairly, but it does not prescribe one exact wage for all businesses. The manager must consider relevant conditions such as the nature of work and the organisation's capacity to pay. Thus, principles help the manager choose sensibly without replacing managerial judgement.

Step 2: Explain mainly behavioural **(ii) Mainly behavioural: Concern with people.** Management principles mainly aim to influence the behaviour of human beings. They guide managers in dealing with employees, coordinating their efforts and building working relationships so that organisational objectives can be achieved.

Implication. Human behaviour is complex and not completely predictable. People differ in needs, attitudes and responses, so the same principle may have different effects in different circumstances. Management principles also help managers understand relationships between human and material resources. For instance, a machine alone cannot ensure productivity; the manager must also consider how workers are organised and motivated to use it effectively.

Step 3: Explain formation by practice and experimentation **(iii) Formed by practice and experimentation: Experience.** Management principles are developed from the experience and collective wisdom of managers. Managers repeatedly observe the consequences of their decisions in actual working situations and derive useful guidelines from those observations. These principles are therefore not merely imagined rules.

Testing through experimentation. Principles are also developed by conducting experiments and observing results. For example, managers may compare the effects of different ways of assigning work or giving authority, and develop a guideline from the results. Repeated experience and systematic testing strengthen a principle, while further experience may refine its application. This explains the practical foundation of management principles.

Step 4: Conclusion Management principles offer broad guidance, chiefly influence human behaviour

and are developed through managerial practice and experimentation. Their practical value depends on applying them thoughtfully to the people and circumstances involved.

Quick Tip to Solve: For each feature, give its meaning and then its implication: guidance needs judgement, behaviour varies among people, and experience plus testing develops principles.

32. Atul Sharma was the Chief Executive Officer of a footwear company, 'Stepone Footwear'. The company manufactured innovative and comfortable footwear for all age groups. Atul Sharma was known for meticulous planning. He ensured that the goals and objectives of the company are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. Before each season, 'Stepone Footwear' carefully analysed market trends, customer preferences and production schedules. This analysis enabled the company to look ahead and anticipate changes and develop managerial responses, wherever necessary. As a result, they were able to consistently deliver innovative and comfortable shoes to the market.

During one season, there was a sudden surge in demand for eco-friendly shoes. 'Stepone Footwear' had already planned their production for the year with specific goals to be achieved within a specific time frame. The managers of 'Stepone Footwear' did not have the flexibility to change the plan to cope with the changed circumstances. Another shoe company 'Eco Step' quickly adapted and started manufacturing comfortable eco-friendly shoes. By not being able to adjust to the rapidly changing market, 'Stepone Footwear' faced inventory surplus while 'Eco Step' emerged as a market leader in sustainable eco-friendly footwear.

Quoting lines from the above paragraph, identify and explain two benefits and two limitations of 'Planning' function of management discussed in the above case. [6 marks]

Solution:

Concept:

- Planning means setting objectives and deciding in advance the course of action to achieve them. Clear plans guide managerial action and prepare the organisation for future conditions.
- Planning provides direction and reduces the risks of uncertainty, but it can lead to rigidity and may not work effectively in a dynamic environment.

Step 1: Identify the two benefits from the case

- **Planning provides directions:** "He ensured that the goals and objectives of the company are clearly stated so that they act as a guide for deciding what action should be taken and in which direction." Planning states objectives clearly and specifies what is to be done and how. Employees and departments can direct their efforts towards common goals, instead of working without a shared purpose.
- **Planning reduces the risks of uncertainty:** "This analysis enabled the company to look ahead and anticipate changes and develop managerial responses, wherever necessary." Planning involves looking ahead and anticipating future events. By analysing market trends, customer preferences and production schedules, managers prepare responses to likely changes. This reduces uncertainty and its adverse effects, although no plan can eliminate all unexpected events.

Step 2: Identify the two limitations from the case

- **Planning leads to rigidity:** "The managers of 'Stepone Footwear' did not have the flexibility to change the plan to cope with the changed circumstances." Plans prescribe specific goals to be achieved within a specified time. When managers strictly adhere to these predetermined plans, they may be unable or unwilling to alter their actions even when circumstances require change. The fixed production plan prevented a timely response to the new demand.
- **Planning may not work in a dynamic environment:** "By not being able to adjust to the rapidly changing market, 'Stepone Footwear' faced inventory surplus while 'Eco Step' emerged as a market leader in sustainable eco-friendly footwear." Business conditions continually change. Plans based on earlier conditions may lose relevance when customer preferences change unexpectedly. The sudden demand for eco-friendly shoes made the existing production plan unsuitable, while the competitor adapted to the changed market.

Step 3: Conclusion The two benefits are providing directions and reducing the risks of uncertainty. The two limitations are rigidity and ineffectiveness in a dynamic environment; each is supported by the quoted actions and outcomes in the case.

Quick Tip to Solve: Match clear goals with direction and anticipating changes with reduced uncertainty; distinguish an inflexible plan from the changing environment that makes it unsuitable.

33. Ayush and Rhea were passionate about sustainable agriculture and healthy living. They wanted to start a business selling organic produce. They had a small farm in a rural area where they began growing fresh organic produce and herbs.

In the beginning, they faced challenges in marketing their organic products. They realized that their high quality produce needed better presentation and a strong identity to stand out in a competitive market.

They named the business 'Earthy Store' which indicated the products' benefits and qualities and reflected the values of the business — sustainability and health. They chose a 'logo' that incorporated elements of nature and used earthy colours to convey their organic commitment. They designed and developed eco-friendly biodegradable bags and reusable containers to courier their products to the customers. They also added personal touch by including handwritten notes in each bag.

They also designed and developed product stickers with detailed information about organic certification, nutritional benefits, date of manufacture, date of expiry, etc. The stickers so developed were put on the bags and reusable containers for customers convenience.

'Earthy Store' created a user-friendly website and established strong media presence to inform potential customers about their products and persuading them to buy the same. Within a couple of months, they had built a loyal customer base which made them earn profits even in a competitive environment. In a year, they were able to secure contracts with local grocery stores and restaurants.

Quoting lines from the above paragraph, identify and explain the three functions of marketing discussed in the above case. [6 marks]

Solution:

Concept:

- Marketing involves activities that facilitate the exchange of goods and services to satisfy customer needs. Its functions include branding, packaging and labelling, and promotion.
- Branding creates a distinct identity, packaging and labelling protect and describe the product, and promotion informs and persuades prospective customers.

Step 1: Identify and explain branding **Branding:** "They named the business 'Earthy Store' which indicated the products' benefits and qualities and reflected the values of the business — sustainability and health." The case also states, "They chose a 'logo' that incorporated elements of nature and used earthy colours to convey their organic commitment." Branding is the process of giving a product a name, sign, symbol or design, or a combination of these, to identify it and distinguish it from competitors. The name and logo give the organic produce a recognisable identity, communicate its qualities and help buyers recognise and select it again.

Step 2: Explain packaging and labelling as a marketing function **Packaging and labelling:** "They designed and developed eco-friendly biodegradable bags and reusable containers to courier their products to the customers." Packaging means designing and producing the container or wrapper of a product. These bags and containers protect and contain the produce, facilitate its handling and delivery, and support its attractive presentation while expressing the business's environmental values.

The labelling evidence is: "They also designed and developed product stickers with detailed information about organic certification, nutritional benefits, date of manufacture, date of expiry, etc." Labelling means designing the label to be put on the package. A label identifies and describes the product and gives buyers useful information about its contents, qualities and use. Here the stickers communicate certification, nutrition and relevant dates, enabling customers to make informed choices. Packaging and labelling are treated together as one marketing function.

Step 3: Identify and explain promotion **Promotion:** "'Earthy Store' created a user-friendly website and established strong media presence to inform potential customers about their products and persuading them to buy the same." Promotion is communication with customers to inform them of a product's availability, features and merits and persuade them to purchase it. The website and media presence make prospective buyers aware of the organic produce and its benefits. Such communication helps generate interest and demand and supports the building of a loyal customer base.

Step 4: Conclusion The three marketing functions illustrated are branding, packaging and labelling, and promotion. The business name and logo establish identity, bags and stickers provide protection and information, and the website and media presence inform and persuade customers.

Quick Tip to Solve: Count packaging and labelling together as one marketing function here: name/logo signal branding, bags/stickers signal packaging and labelling, and persuasive communication signals promotion.

34(a). Give the meaning of 'Training'. Explain the following methods of training : (i) Apprenticeship Training, (ii) Internship Training [6 marks]

Solution:

Concept:

- Training is the process of increasing an employee's knowledge, skills and abilities for doing a specific job. It helps the employee perform present duties more effectively.
- On-the-job training develops skills in the actual work setting. Apprenticeship combines supervised practical work with learning a skilled trade, while internship links academic study with practical experience in an organisation.

Step 1: State the meaning of training **Training:** It is a systematic process through which employees acquire the knowledge, abilities and skills required to perform a particular job. Its focus is on improving competence in the work assigned, rather than merely giving general information. For example, an employee may learn the correct sequence of operations, the safe use of equipment and the quality standards expected on that job. By practising these tasks with guidance, the employee becomes more accurate and efficient.

Step 2: Explain apprenticeship training **Apprenticeship Training:** Under this method, a trainee is placed under the guidance of a master worker or experienced expert for a prescribed period. The apprentice learns the trade by observing the expert and performing practical work under supervision. Theoretical instruction may be combined with this practical experience so that the trainee understands both how a task is performed and why that method is used.

This method is suitable for occupations requiring a high level of skill and a relatively long period of learning. Electricians, plumbers and ironworkers commonly learn through apprenticeship. As proficiency develops, the apprentice can undertake increasingly demanding tasks, with the expert correcting mistakes and reinforcing proper work practices. The main feature is sustained learning of a skilled occupation under an experienced practitioner.

Step 3: Explain internship training **Internship Training:** This is a joint programme in which educational institutions and business enterprises cooperate to provide students with practical knowledge and experience. Students continue their formal studies and, for a prescribed period, work in an organisation to gain hands-on experience related to their course.

For instance, a management or engineering student may undergo an internship in an enterprise and apply classroom concepts to actual work assignments under guidance. The student becomes familiar with real organisational procedures, responsibilities and problems. The distinctive feature is the link between formal education and a planned period of practical experience; unlike apprenticeship, its defining purpose is not prolonged training in a particular skilled trade under a master worker.

Step 4: Conclusion Training improves the knowledge and skills needed for a specific job. Apprenticeship develops proficiency in a skilled trade through sustained expert supervision, whereas internship provides practical organisational experience as part of a programme linking education and work.

Quick Tip to Solve: Remember the identifying link: apprenticeship means learning a skilled trade under a master worker; internship means combining academic study with practical experience in an organisation.

OR

34(b). Explain any four points of importance of 'Directing' function of management. [6 marks]

Solution:

Concept:

- Directing is the managerial process of instructing, guiding, counselling, motivating and leading people towards the achievement of organisational objectives. It turns plans and organisational arrangements into action through employees.
- Its importance lies in initiating action, integrating individual efforts, helping employees realise their potential, facilitating change, and bringing stability and balance. Any four well-explained points answer the question.

Step 1: Explain how directing activates and coordinates work

- **Initiates action:** Plans specify what should be done and organising assigns responsibilities, but employees must actually begin performing their tasks. Through instructions, guidance and supervision, directing tells employees how to proceed and encourages them to act. It therefore initiates action by people in the organisation towards the attainment of desired objectives. For example, a supervisor explains the day's assignment and guides workers as they start production.
- **Integrates employees' efforts:** Individuals perform different tasks and may approach their work from the viewpoint of their own responsibilities. Directing integrates these separate efforts so that each individual's contribution supports the overall organisational objective. Managers guide employees and communicate how their work connects with that of others. This prevents isolated or conflicting efforts and helps departments work together, for instance when production and sales teams coordinate to fulfil customer orders on time.

Step 2: Explain how directing develops people and supports change

- **Helps employees realise their potential:** Employees may possess abilities that remain unused because they lack confidence, encouragement or suitable guidance. Effective directing, through motivation and leadership, helps managers recognise these abilities and encourage employees to use them fully. Guidance helps overcome difficulties, while recognition and encouragement stimulate better performance. Thus employees apply their existing capabilities more effectively and contribute their best towards organisational goals.
- **Facilitates introduction of needed changes:** Employees may resist changes in methods, technology or work arrangements because of uncertainty or fear. Effective directing reduces such resistance through communication, motivation and leadership. The manager explains the purpose and benefits of the proposed change, listens to concerns and guides employees in adopting the new way of working. For example, when new software is introduced, explaining its usefulness and providing supportive guidance can secure employees' cooperation rather than leaving them anxious or unwilling to use it.

Step 3: Conclusion Directing is important because it initiates action, integrates individual efforts, helps employees realise their potential and facilitates needed changes. These four contributions enable people to translate organisational plans into coordinated and effective performance.

Quick Tip to Solve: For each importance point, name the contribution first and then explain how guidance, communication, motivation or leadership produces that benefit. Keep the four benefits distinct.