CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/1/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. _____ 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 while using minimum resources and incurring minimum cost.
- Effectiveness concerns completing the intended task and achieving the desired result.

Step 1: Identify the emphasis The words "doing the task correctly and with minimum cost emphasise the relationship between inputs and output. Avoiding waste of time, money and materials is the defining concern of efficiency.

Step 2: Eliminate the other terms Effectiveness focuses on attainment of objectives rather than minimum cost. Coordination integrates the efforts of different people, while a process is a series of interrelated activities. Neither names the cost-conscious performance described here.

Step 3: Conclusion The term is efficiency. Hence, the correct option is (D).

Quick Tip to Solve: Associate efficiency with minimum inputs and cost; associate effectiveness with achieving the intended objective.

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2. 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 employees in decision-making and encourages their suggestions.
- An autocratic leader decides alone; a free-rein leader gives followers substantial independence in deciding their work.

Step 1: Identify the evidence Ravi Kumar "initiated open dialogues and encouraged employees to "actively participate in decision-making. He and the employees developed action plans together, showing consultation and participation.

Step 2: Distinguish the alternatives Autocratic leadership describes the earlier situation in which employees merely followed orders, not Ravi Kumar's approach. Free-rein leadership would leave decisions largely to employees without this active joint guidance. Since his method is participative, the combination of autocratic and democratic styles is also unsuitable.

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

Quick Tip to Solve: In leadership cases, identify who makes decisions: joint consultation indicates democratic leadership.

3. '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:

- Environmental awareness enables a business to identify opportunities before competitors and obtain a first mover advantage.
- An opportunity is a positive external development that a business can use to improve its position.

Step 1: Connect the case to the concept SK Builders was the "first to recognize the opportunity of using Artificial Intelligence in house design. By acting before competitors, it became the market leader in designer houses.

Step 2: Reject less specific alternatives The case does not emphasise an approaching danger, so early warning of threats is inappropriate. It does not focus on obtaining inputs, so tapping resources is not the point. Improved performance is a broad benefit, but the explicit emphasis on being first identifies

opportunity recognition and first mover advantage.

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

Quick Tip to Solve: When a case links spotting a favourable change first with market leadership, choose opportunity identification and first mover advantage.

4. 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:

- The social environment comprises social forces such as customs, traditions, values, attitudes and expectations.
- Economic conditions concern saving, investment and planned expenditure; political conditions include relations with other countries.

Step 1: Classify the social element Expectations from the workforce reflect society's attitudes about employees and their roles, conduct and treatment. Such expectations form part of the social environment.

Step 2: Classify the remaining choices Rates of saving and investment and planned outlay in public and private sectors are economic factors. The nature of the country's relationship with foreign countries belongs to the political environment. Thus these three alternatives do not answer the question about social forces.

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

Quick Tip to Solve: Classify expectations and attitudes as social factors, saving and expenditure as economic factors, and international relations as political factors.

5. 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 links savers who have surplus funds with investors who require funds.
- It mobilises savings and allocates them among alternative productive investment opportunities.

Step 1: Evaluate Statement I Statement I is true. A financial market facilitates the transfer of savings from surplus units, the savers, to deficit units, the investors who need finance for productive activities.

Step 2: Evaluate Statement II and select the combination Statement II is also true. Different financial instruments provide savers with alternative investments and help channel surplus funds towards productive uses. Therefore the alternatives declaring either statement false, or both statements false, do not correctly describe financial markets.

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

Quick Tip to Solve: Check each statement separately: transfer of savings and productive allocation of funds are both functions of financial markets.

6. 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 favour products that are widely available and affordable.
- It seeks high production efficiency and widespread distribution to reduce costs and make products accessible.

Step 1: Identify the stated means The question gives “availability and affordability as the means of

achieving objectives. These are the central features of the production concept: producing efficiently and distributing widely.

Step 2: Distinguish the other philosophies The product concept emphasises quality, performance and features. The selling concept relies on aggressive selling and promotional effort. The marketing concept starts with identifying and satisfying customer needs better than competitors. None of these is defined primarily by availability and affordability.

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

Quick Tip to Solve: Match availability and low price with production, quality with product, persuasion with selling, and customer needs with marketing.

7. 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 concerns the physical movement and handling of goods from producers to consumers.
- Its main components include order processing, transportation, warehousing and inventory control.

Step 1: Identify the components present Inventory control maintains suitable stock levels, order processing deals with receiving and executing customer orders, and transportation moves goods between locations. All three are components of physical distribution.

Step 2: Identify the activity outside physical distribution Standardisation establishes predetermined product specifications, while grading sorts products into groups according to characteristics such as quality or size. These are marketing functions concerned with product uniformity and classification, rather than the physical distribution components asked here.

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

Quick Tip to Solve: For physical distribution, recall order processing, transportation, warehousing and inventory control; standardisation and grading concern product classification.

8. '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 that defines the broad direction and scope of an organisation in the long run.
- It integrates objectives, the course of action and allocation of resources after considering the business environment.

Step 1: Identify the scope of the plan The clues are 'broad contours of the company's business' and 'direction and scope in the long run'. Nikhil's team studies emerging trends, customer preferences and competitors before deciding how to achieve market leadership. These are strategic considerations.

Step 2: Distinguish the other plans A policy is a general guide to thinking in decisions. A rule specifies what must or must not be done, without discretion. A procedure lays down a chronological sequence of activities. None describes the comprehensive competitive direction given in the case.

Step 3: Conclusion The plan is a strategy. Hence, the correct option is (C).

Quick Tip to Solve: Long-term direction, environmental analysis and a competitive objective together identify a strategy.

9. 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 under major business functions such as purchasing, marketing and human resources.
- Functional specialisation improves efficiency and avoids duplication of activities within the organisation.

Step 1: Identify the basis of grouping The decisive words are 'jobs of similar nature are grouped together'. Human Resource, Marketing, Purchase and Research and Development are departments based on functions. The departmental heads report to Mohit as the coordinating head.

Step 2: Eliminate other structures An informal organisation arises spontaneously from personal relationships rather than the prescribed departmental arrangement. A divisional structure groups activities around products or divisions, each containing its own functions. The case gives no product-wise divisions, so the combined option also fails.

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

Quick Tip to Solve: Look at the basis of departments: similar activities indicate functions; separate product lines indicate divisions.

10. 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 are prepared, implemented and followed by fresh plans as circumstances and requirements change.
- The planning cycle continues even though each individual plan has a fixed time horizon.

Step 1: Identify the repeated planning cycle The question says that 'at the end of that period' a new plan must be drawn. Thus, the central idea is the replacement of an expired plan with another plan based on fresh requirements and future conditions.

Step 2: Distinguish the remaining features Being futuristic means looking ahead and anticipating future events. Pervasiveness means planning is needed at all levels and in all departments. A mental exercise involves intellectual judgement rather than guesswork. These features do not specifically express the repeated preparation of plans described here.

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

Quick Tip to Solve: A fixed life for each plan does not end planning: a new plan begins the next cycle.

11. 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 involves assigning responsibility, granting the authority needed to perform the work and creating accountability for its results.

- A superior can delegate authority but cannot divest himself of his own accountability to his superior.

Step 1: Evaluate Statement I Statement I is true. A manager entrusts a subordinate with work, gives the necessary authority and makes the subordinate answerable for the performance of that assigned work. These are the interconnected elements of delegation.

Step 2: Evaluate Statement II Statement II is also true. Although the subordinate is accountable to the delegating manager, the manager remains accountable to his own superior for the performance of the delegated work. Delegation therefore does not reduce or transfer away the manager's original accountability. Options declaring either or both statements false are incorrect.

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

Quick Tip to Solve: Distinguish the subordinate's new accountability from the superior's continuing accountability after delegation.

12. 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 consists of short-term incentives intended to encourage immediate purchase of a product.
- A temporary price reduction is a discount, which is a commonly used sales promotion technique.

Step 1: Read the incentive in the picture The picture offers '50% OFF' and says 'ONLY FOR 2 days'. The large temporary discount encourages customers to buy garments immediately rather than

postpone the purchase. The limited duration is the key clue.

Step 2: Distinguish the promotion tools Advertising communicates a paid promotional message but the sales-boosting device identified here is the short-term incentive itself. Personal selling requires direct interaction with a salesperson. Public relations develops favourable relations and an image among the public. Neither describes the temporary discount offered by Mehta Sons Garments.

Step 3: Conclusion The tool is sales promotion, specifically a discount. Hence, the correct option is (C).

Quick Tip to Solve: For a promotional picture, identify the incentive: a time-limited discount signals sales promotion.

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13. 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 builds favourable relations and a positive image of an organisation among its publics through communication and activities.
- Organising special events and obtaining media attention can attract public interest and build goodwill towards a business.

Step 1: Identify the purpose and nature of the campaign The campaign highlights 'the joy of reading books in physical form' and the 'warm atmosphere of the bookstore'. Story-writing competitions bring children and parents into contact with the store and develop a favourable association with reading and the bookstore. These community events build goodwill.

Step 2: Distinguish the alternative tools Information about the events reaches parents and children through television, radio and magazines. Together with the events, this helps revive the store's public image. There is no direct salesperson interaction, so personal selling does not apply. Advertising is paid

impersonal presentation, but no paid advertisement is specified. Although competitions and prizes can also form sales promotion, the case describes an event-based image-building communication campaign without a purchase condition or sales incentive linked to buying a book. Public relations best describes the whole campaign.

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

Quick Tip to Solve: For an event-based campaign, examine its purpose: building goodwill and favourable public interest indicates public relations.

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14. 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 is a secondary market where investors buy and sell existing securities.
- Its organised trading system provides liquidity, transaction safety, scope for regulated speculation and support for economic growth.

Step 1: Locate the incorrect qualification Option (A) says that the exchange provides liquidity and marketability to new securities. The stock exchange actually provides a continuous market for existing securities. New securities are issued in the primary market, so the word 'new' makes this statement incorrect.

Step 2: Verify the remaining statements Safety is promoted through regulated dealings and prescribed listing and trading requirements. The exchange contributes to growth by channelling savings towards productive investment and enabling capital movement. It also permits speculation within legal limits, supporting liquidity and price discovery. Consequently, (B), (C) and (D) describe accepted functions.

Step 3: Conclusion The incorrect statement is that a stock exchange provides liquidity and marketability to new securities. Hence, the correct option is (A).

Quick Tip to Solve: In stock-exchange questions, distinguish existing securities in the secondary market from new issues in the primary market.

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15. '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:

- Access to the capital market affects the proportion of earnings that a company can distribute as dividend.
- A well-reputed company can raise fresh funds readily and therefore need not retain as much profit for future investment.

Step 1: Identify the decisive evidence The case says that Dovex could 'raise capital easily from the market whenever expansion or new projects were to be undertaken'. This directly establishes ready access to the capital market. It reduces the company's dependence on retained earnings to finance growth.

Step 2: Eliminate the other factors Cash flow position concerns the availability of cash for payment, which is not the highlighted reason here. Stock market reaction concerns investors' response to a dividend change, while legal constraints restrict permissible payments. Neither explains the stated ability to obtain new capital readily.

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

Quick Tip to Solve: Link easy external fund raising with a lower need to retain earnings and consequently greater scope for dividends.

16. 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 new securities issued by a company to investors.
- In the secondary market, existing securities are traded and prices arise from market demand and supply.

Step 1: Identify who fixes the issue price In the primary market, the issuing company's management determines the price at which its new securities are offered, subject to the applicable issue mechanism and regulations. This is the textbook distinction tested by the question.

Step 2: Compare the remaining markets The secondary market, including the stock market, facilitates trading of existing securities; prices change through buyers' and sellers' transactions. The money market deals in short-term funds and is not the company-priced new-issue market referred to here.

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

Quick Tip to Solve: Company-issued new securities point to the primary market; investor-to-investor trading points to the secondary market.

17. 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:

- Staffing includes recruitment, selection, placement, orientation and performance appraisal, each serving a distinct purpose.
- Match each technical term to its defining activity rather than to the order in which meanings are listed.

Step 1: Match the entry activities Placement means the selected employee occupying the post for which he or she was selected, so 1 matches (ii). Recruitment searches for prospective employees and stimulates applications, so 2 matches (iv).

Step 2: Match introduction and evaluation Orientation introduces the employee to colleagues and organisational rules and policies, so 3 matches (i). Performance appraisal evaluates current or past performance against predetermined standards, so 4 matches (iii). Option (A) mismatches all four; (B) swaps recruitment with appraisal; (D) swaps recruitment with orientation.

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

Quick Tip to Solve: Remember placement as taking the post, orientation as introduction, recruitment as attracting applicants, and appraisal as evaluation.

18. 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 allows consumers to complain and seek attention to dissatisfaction with goods or services.
- Consumer service and grievance cells provide an organisational mechanism for hearing and addressing such complaints.

Step 1: Evaluate Assertion (A) Assertion (A) is true. Many enlightened firms establish consumer

service and grievance cells so that customers can communicate difficulties and obtain a response. These cells are part of a business's consumer-oriented approach.

Step 2: Evaluate Reason (R) Reason (R) is also true. A consumer has the right to file a complaint and be heard when dissatisfied with a good or service. A grievance cell gives a practical channel through which this right can be exercised.

Step 3: Test the explanatory link The reason explains the assertion: firms establish such cells to receive and address consumers' complaints, supporting their right to be heard. Therefore (B) incorrectly denies the link, while (C) and (D) incorrectly treat one of the true statements as false.

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

Quick Tip to Solve: In an assertion-reason question, establish both truth values first, then ask whether the reason explains the specific action in the assertion.

19. "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 directed towards overall growth and the realisation of employees' potential.
- Training improves knowledge and skills for the requirements of a particular job; development has a broader and longer-term focus.

Step 1: Use the defining words The expressions 'career oriented', 'progress towards maturity' and 'actualization of their potential capabilities' identify development. They concern an employee's overall growth over time, rather than improvement restricted to the present task.

Step 2: Distinguish the alternatives Staffing is the wider managerial function of obtaining and maintaining a suitable workforce. Selection chooses the best candidate from applicants. Training equips employees with job-related skills. These alternatives do not capture the broader career development and maturation described in the quotation.

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

Quick Tip to Solve: Career growth and realisation of potential indicate development; improved skill for a specific job indicates training.

20. 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 a business will require and specifies the sources from which they will be obtained.
- It seeks to ensure that adequate funds are available at the right time while avoiding unnecessary surplus financing.

Step 1: Identify both activities in the definition The question combines estimating fund requirements with specifying sources of funds. Together these describe financial planning: deciding the amount and timing of finance needed and arranging how that finance will be raised.

Step 2: Distinguish related concepts Capital structure is the mix of owners' funds and borrowed funds. Capital budgeting concerns investment in long-term assets or projects. Financial management is the broader function concerned with financial decisions and effective use of funds. The precise process defined in the question is financial planning.

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

Quick Tip to Solve: Use the pair 'fund requirements plus sources' as the identifying clue for financial planning.

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

Solution:

Concept:

- SEBI protects investors' interests in the securities market by preventing practices that deceive investors or give some participants an unfair advantage.
- Protective functions focus on fair dealing and investor awareness, whereas developmental functions promote market growth and regulatory functions supervise market participants.

Step 1: State the safeguards against dishonest trading **Prohibition of fraudulent and unfair trade practices:** SEBI prohibits practices such as making misleading statements and artificially manipulating security prices. Such conduct can induce investors to buy or sell on false information. Checking these practices helps investors deal in a fair market and protects them against exploitation by dishonest participants.

Prohibition of insider trading: SEBI prohibits trading in securities on the basis of unpublished price-sensitive information. Insiders may possess information about a company's affairs before ordinary

investors receive it. Preventing its misuse stops persons with privileged access from gaining an unfair advantage over the investing public.

Step 2: State the safeguard through investor awareness **Investor education:** SEBI undertakes steps to educate investors about the securities market, their rights and the precautions they should take. Better-informed investors can understand risks, recognise misleading claims and make more considered investment decisions. Education therefore supplements prohibitions by helping investors protect their own interests.

Step 3: Conclusion Any three protective functions are prohibiting fraudulent and unfair trade practices, prohibiting insider trading, and undertaking investor education.

Quick Tip to Solve: Link protective functions to protecting the investor: prevent fraud, prevent insider advantage, and educate investors.

OR

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

Solution:

Concept:

- The money market deals in short-term funds through monetary assets having maturity up to one year. The capital market provides medium-term and long-term finance through securities.
- A comparison should use the same basis for both markets. The distinction concerns their instruments, maturity and relative risk rather than whether a market has a physical trading place.

Step 1: Choose corresponding bases of comparison Compare the two markets on instruments, investment duration and safety. These bases show what is traded, the period for which funds are provided, and the relative risk borne by investors. Short-term money-market instruments serve temporary funding needs, while capital-market securities support longer-term financing.

Step 2: Present three differences The differences are as follows.

Basis	Money market	Capital market
Instruments	Deals in instruments such as Treasury bills, commercial paper, call money, certificates of deposit and commercial bills.	Deals in instruments such as equity shares, preference shares, debentures and bonds.
Duration	Provides short-term funds through instruments with maturity up to one year.	Provides medium-term and long-term funds. Debt securities generally have maturity exceeding one year; equity shares have no fixed maturity.
Safety	Instruments are comparatively safer because of their short duration and the financial standing of issuers. This does not mean that every instrument is entirely risk-free.	Investments are comparatively riskier because returns and security prices are subject to longer-term business and market uncertainties.

Step 3: Conclusion The money market and capital market differ in the instruments traded, the duration of finance and the relative safety of investments, as shown above.

Quick Tip to Solve: Write each comparison as a matched pair under one basis; associate money market with up to one year and capital market with longer-term finance.

22. 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:

- Vestibule training is an off-the-job training method in which employees learn on equipment similar to that used at the actual workplace, in a separate training location.
- The actual work environment is reproduced so that employees can acquire practical skills before handling regular production responsibilities. It is useful where sophisticated machinery must be operated carefully.

Step 1: Identify the method from the case evidence The method used by BB Motors is **vestibule training**. The company has created a separate "Learning Floor" by "allotting a specialized space". That area contains components, tools and sophisticated equipment "identical to those used on the factory floor". The combination of a separate training space and a reproduced working environment identifies this method.

Step 2: Explain how vestibule training operates **Reproduction of the workplace:** A training area is equipped to resemble the actual workplace. At BB Motors, trainees can become familiar with the car components, tools and equipment they will later use in producing cars.

Learning away from regular production: Employees practise relevant operations in the separate training area rather than learning directly on the operating production floor. They can build skills and confidence without interrupting normal factory work.

Preparation for sophisticated equipment: The method is especially appropriate when employees must learn to handle complex machinery. Practice in the recreated environment prepares them to perform their actual jobs competently and helps reduce the risk of costly mistakes during regular production.

Step 3: Conclusion BB Motors uses vestibule training: it reproduces the factory environment in a separate Learning Floor so that employees can practise on similar equipment before performing their production jobs.

Quick Tip to Solve: A separate training area plus equipment resembling the actual workplace is the key clue for vestibule training.

23. 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 is the investment in long-term assets such as plant and machinery. The amount needed depends on the technique of production and the future growth prospects of the enterprise.
- A capital-intensive technique requires greater investment in equipment, while expected business expansion calls for additional capacity and therefore more fixed assets.

Step 1: Identify the technique of production **Technique of production:** Kanav chose a capital-intensive technique. The case states that the venture required "heavy investment in plant and machinery and less on manual labour. A capital-intensive organisation needs more fixed capital than a labour-intensive organisation because it relies more heavily on machines and equipment. The solar panels, inverters and battery storage systems are the fixed assets in which this investment is made.

Step 2: Explain the effect of growth prospects **Growth prospects:** An enterprise with higher growth prospects requires more fixed capital to create capacity for future expansion. The case says that the business had "good expansion possibilities and that Kanav decided to "create a higher capacity to meet the anticipated demand quickly. Growing demand for clean energy encouraged him to invest further in fixed assets before the additional demand arose.

Step 3: Conclusion The two factors are technique of production and growth prospects. Both the capital-intensive production method and the planned increase in capacity raise the fixed capital required by Kanav's solar power plant.

Quick Tip to Solve: Link investment in machinery rather than labour to technique of production; link extra capacity for expected demand to growth prospects.

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

Solution:

Concept:

- Business environment means the totality of external individuals, institutions and forces that influence the performance of a business enterprise.
- Its features explain how these external forces operate. Totality of external forces, inter-relatedness and dynamic nature are three such features.

Step 1: State totality of external forces **Totality of external forces:** Business environment is the sum total of all forces external to a business firm. It includes individuals, institutions and other forces that are outside the control of an enterprise but can affect its performance. Thus, the environment is considered collectively, rather than as a single isolated external influence.

Step 2: State inter-relatedness and dynamic nature **Inter-relatedness:** Different elements of the business environment are closely related. A change in one element can influence other elements; for example, greater health awareness can increase demand for health-related products and change the opportunities available to firms.

Dynamic nature: The business environment keeps changing. Changes may arise from shifts in consumer preferences, improvements in technology or new competition. Consequently, the conditions in which an enterprise operates do not remain fixed.

Step 3: Conclusion Three features of business environment are totality of external forces, inter-relatedness and dynamic nature. They show that external influences act collectively, affect one another and change over time.

Quick Tip to Solve: For a features question, name each feature clearly and add its meaning; keep importance, such as identifying opportunities, separate.

OR

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

Solution:

Concept:

- Demonetisation is the withdrawal of the legal-tender status of a currency. In India, the specified old high-denomination notes ceased to be legal tender in November 2016.
- NCERT explains demonetisation through features such as tax administration, signalling against tax evasion and movement towards formal saving channels.

Step 1: State its role in tax administration **Tax administration measure:** Cash held out of accumulated undeclared income had to be declared when deposited in the banking system. Holders could either declare the cash and pay the applicable taxes or face scrutiny, tax and penalties if it represented unaccounted income. Thus, demonetisation brought cash holdings within the scope of tax administration.

Step 2: State its signalling and saving effects **Signal against tax evasion:** Demonetisation signalled that tax evasion would no longer be tolerated or accepted. It indicated that people holding unaccounted wealth should expect government action against such practices.

Shift towards formal saving channels: It led to the channelising of savings into the formal financial system. As cash was deposited with banks, financial savings increased relative to the holding of unaccounted cash or other informal forms of wealth. These deposits brought more savings within organised financial institutions.

Step 3: Conclusion Three features of demonetisation are its use as a tax administration measure, its signal against tax evasion, and its role in channelising savings into the formal financial system.

Quick Tip to Solve: State the policy features separately: tax scrutiny, the message against evasion, and movement of savings into formal financial institutions.

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25. 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 predetermined standards, finding deviations and their causes, and taking corrective action.
- Its importance includes accomplishing organisational goals, making efficient use of resources and judging the accuracy of standards.

Step 1: Identify the function from the case (i) The function is **controlling**. The estimated cost of Rs 500 per pair is the cost standard, while the actual cost is Rs 700 per pair. The excess cost is a deviation from the standard. Abhay investigates its cause and finds that "the set target could have been completed by only 800 workers", although 1000 workers were employed. This identifies overmanning as the reason for excessive labour cost and provides a basis for corrective action.

Step 2: State three points of importance (ii) Any three points of importance are:

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings deviations to light. Corrective action can then keep activities on the planned course and help the organisation achieve its objectives.

- **Making efficient use of resources:** Employees are required to perform according to predetermined standards. This reduces wastage and helps the organisation use human, physical and financial resources efficiently. In Comforty, the investigation reveals that using 1000 workers for work requiring only 800 raises labour cost.
- **Judging accuracy of standards:** A sound control system checks whether standards remain accurate and realistic. By examining deviations and changes in the business environment, management can review standards and revise them when necessary, so that future performance is assessed against suitable targets.

Step 3: Conclusion The function is controlling. It helps accomplish organisational goals, ensures efficient use of resources and enables management to judge the accuracy of standards. The investigation of Comforty's excessive cost illustrates its role in detecting wasteful use of labour.

Quick Tip to Solve: Look for a standard, actual performance, a deviation and an investigation of its cause: this sequence identifies controlling even when the case mentions production or staffing.

26(a). State any four points that highlight the importance of management. [4 marks]

Solution:

Concept:

- Management coordinates human efforts and the use of resources to achieve organisational objectives effectively and efficiently.
- Its importance extends to group goals, efficiency, adapting to change and helping employees achieve personal objectives.

Step 1: Explain achievement of goals and efficiency The following are two points highlighting the importance of management:

- **Management helps in achieving group goals:** Management gives a common direction to individual efforts. It brings together the efforts of different people and departments so that they contribute to the organisation's overall objectives rather than pursue conflicting aims. Coordination allows the group to work towards a shared purpose.
- **Management increases efficiency:** Managers seek to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling. The available resources are used in the best possible manner, reducing wastage of time, effort and materials while achieving the desired results.

Step 2: Explain adaptation and personal objectives Two further points are:

- **Management creates a dynamic organisation:** Organisations operate in an environment that changes continually. Management helps people adapt to these changes and overcome their resistance to change. Employees can then appreciate that changes may benefit both the organisation and themselves, enabling the business to remain competitive.
- **Management helps in achieving personal objectives:** Through motivation and leadership, management helps individuals achieve their personal goals while working towards organisational goals. Suitable rewards, development opportunities and a supportive team environment can satisfy

employees' needs and encourage their contribution to the organisation.

Step 3: Conclusion Management is important because it helps achieve group goals, increases efficiency, creates a dynamic organisation and helps individuals attain personal objectives. These roles connect organisational performance with the coordinated efforts and needs of its people.

Quick Tip to Solve: For four points on importance, remember group goals, efficiency, adaptation to change and personal goals; explain how management contributes to each.

OR

26(b). State any four functions of 'Operational Level Management'. [4 marks]

Solution:

Concept:

- Operational level management, also called supervisory management, comprises supervisors, foremen and similar managers who directly oversee the efforts of the workforce.
- It translates the plans and instructions received from higher management into work performed by employees, maintaining a direct link between management and workers.

Step 1: State the functions concerned with daily work

- **Oversee workers' efforts:** Operational managers directly supervise employees as they perform their assigned jobs. They give guidance and instructions about how the work is to be done and ensure that the instructions of higher management are understood and followed at the workplace.
- **Maintain quality of output:** They check that goods or services meet the prescribed quality standards. Close contact with actual operations allows supervisors to notice defects, guide employees in correcting their methods and maintain the required standard of output.

Step 2: State the functions concerned with efficient production

- **Minimise wastage of materials:** Supervisors ensure that workers use materials carefully and follow the prescribed methods. They identify avoidable waste during production and guide workers to reduce it, helping the organisation use its resources efficiently.
- **Maintain safety standards:** They ensure that workers observe safety rules and use equipment in the prescribed manner. By monitoring conditions and correcting unsafe practices, operational managers help provide safe working conditions and prevent accidents during everyday operations.

Step 3: Conclusion Four functions of operational level management are overseeing workers' efforts, maintaining quality of output, minimising wastage of materials and maintaining safety standards. These functions connect management's plans with their actual execution by the workforce.

Quick Tip to Solve: Associate operational managers with the shop floor: direct supervision, quality, material use and workplace safety are clear functions at this level.

27. Differentiate between formal organization and informal organization on any four bases. [4 marks]

Solution:

Concept:

- Formal organisation is the structure of authority and responsibility deliberately designed by management to accomplish organisational objectives.
- Informal organisation is the network of social relationships that develops spontaneously among people as they interact within the formal organisation.

Step 1: Select clear bases of comparison Compare the two organisations on the same basis in each row. The following four bases show who creates the relationship, how people are expected to behave, how messages travel and where authority comes from. Formal relationships arise from official positions; informal relationships arise from personal interaction and acceptance within a group.

Step 2: Present four differences

Basis	Formal organisation	Informal organisation
Origin	It is deliberately created by management through the organisation structure, which specifies jobs and working relationships.	It emerges spontaneously from employees' social interaction, common interests and personal relationships.
Behaviour	Behaviour is directed by prescribed rules, policies and official procedures. Employees are expected to follow these standards in their work.	Behaviour is guided by the group's norms, values and expectations, which develop through interaction rather than official prescription.
Communication	Communication follows the officially established channels and chain of command specified in the structure.	Communication can flow in any direction through personal contacts; it does not have to follow the prescribed chain of command.
Authority	Authority arises from the position a person occupies in the organisational hierarchy. It is attached to the official role.	Authority arises from personal qualities and the acceptance of other group members. An informal leader need not hold a senior official position.

Step 3: Conclusion Formal and informal organisation differ on origin, behaviour, communication and authority: the former is management-created and position-based, while the latter develops naturally through social interaction and group acceptance. Both may exist among the same employees within an enterprise.

Quick Tip to Solve: In a distinction table, use one common basis per row and write directly corresponding points in both columns; do not confuse informal organisation with an unofficial business.

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

(i) Seasonal factors

(ii) Inflation [4 marks]

Solution:

Concept:

- Working capital finances day-to-day operations, such as buying raw materials, holding stocks and meeting wages and other operating expenses before sales proceeds are received.
- Its requirement depends on both the scale of current business activity and the prices paid for inputs. Seasonal demand changes the level of activity, while inflation changes the money needed to support that activity.

Step 1: Explain the effect of seasonal factors **Seasonal factors:** A business whose demand varies with the season needs more working capital during its peak season. It has to build up raw-material and finished-goods inventories and undertake more production to meet higher sales. This increases expenditure on materials, wages and other current expenses; money may also remain tied up in debtors until customers pay. During the lean season, its activity and inventory requirements decline, so less working capital is generally needed. A business with steady demand throughout the year normally has a more stable working-capital requirement.

Step 2: Explain the effect of inflation **Inflation:** A rise in the general price level usually increases working-capital requirements because a larger sum of money is needed to buy the same quantity of materials and maintain the same level of current assets. Wages and other operating expenses may also rise. Thus, even when the physical volume of production is unchanged, more funds may be necessary to finance day-to-day operations. The exact increase depends on which inputs become dearer, how much their prices rise and whether the business can pass the higher costs on to customers through higher selling prices.

Step 3: Conclusion Seasonal businesses generally require more working capital in the peak season and less in the lean season. Inflation normally raises the monetary working-capital requirement for a given level of operations, though the extent of the increase varies with input costs and pricing conditions.

Quick Tip to Solve: For seasonality, trace the change in activity and stocks; for inflation, trace the larger cash outlay needed for the same physical quantity of inputs.

OR

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

(i) Floatation costs

(ii) Stock market conditions [4 marks]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company's long-term funds. Choosing it involves considering the cost and practical availability of different sources of finance.
- Floatation costs are the expenses of raising funds, while stock market conditions influence the price and ease with which new equity can be issued. Both affect the relative attractiveness of debt and equity.

Step 1: Explain the effect of floatation costs **Floatation costs:** These are the expenses incurred in raising finance, such as underwriting commission, brokerage and the cost of issuing a prospectus. Raising equity through a public issue generally involves substantial floatation costs, whereas obtaining a loan from a financial institution involves comparatively lower expenses. A company considers these costs when selecting its financing mix because high issue expenses reduce the net funds available for use. Other things being equal, a source with lower floatation costs becomes more attractive. However, these costs must be considered along with risk, control and other relevant factors rather than deciding the capital structure on issue expenses alone.

Step 2: Explain the effect of stock market conditions **Stock market conditions:** During a bullish phase, share prices are generally high and investors are more willing to purchase shares. A company can therefore raise equity funds more easily and at a favourable price, making equity financing relatively attractive. During a bearish phase, share prices are low and investors may be reluctant to subscribe to new issues. Raising equity on favourable terms becomes difficult, so the company may rely more on debt. Thus, favourable stock market conditions encourage equity issues, while unfavourable conditions generally increase the relative preference for borrowing, subject to the company's capacity to service debt.

Step 3: Conclusion High floatation costs of a public equity issue may favour a relatively less expensive borrowing source. A bullish stock market favours raising equity, whereas bearish conditions generally make debt relatively more attractive.

Quick Tip to Solve: Link floatation costs to the net funds raised, and link a bullish or bearish market to the ease and price of issuing new shares.

29. 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:

- Consumer Protection: the consumer redressal machinery provides remedies for deficiency in services. A person who pays for housing construction services is a consumer of those services.
- The competent commission is identified from the consideration paid for the goods or services. Once a complaint is established, it can order a refund, compensation and payment of litigation costs.

Step 1: Identify the grievance redressal agency **(i) State Consumer Disputes Redressal Commission (State Commission):** Anuj has paid Rs 2 crore as consideration for the construction service, so his complaint falls within the State Commission's pecuniary jurisdiction. The relevant amount is the consideration paid for the service. The developer's failure to deliver the promised house within 18 months, followed by its refusal to return the money, gives rise to a complaint of deficiency in service.

Step 2: State three appropriate reliefs **(ii) Refund of the amount paid:** The commission may direct SS Developers to return the Rs 2 crore paid by Anuj, together with appropriate interest. This responds directly to his request for a refund when the developer cannot hand over the house.

Compensation for loss or injury: It may direct the developer to pay reasonable compensation for the loss or injury suffered by Anuj because of the deficient service. Compensation addresses the consequences of the developer's failure; it is distinct from simply returning the advance.

Payment of litigation costs: It may order SS Developers to pay adequate costs to Anuj for pursuing the complaint. A successful consumer should not have to bear the entire expense of seeking redress for the service provider's deficiency.

Step 3: Conclusion Anuj approached the State Commission. If it is satisfied with his complaint, three suitable reliefs are refund of the advance with appropriate interest, reasonable compensation for his loss or injury, and adequate litigation costs.

Quick Tip to Solve: Identify the commission from the consideration paid, then link each relief to the consumer's actual grievance: return of money, compensation and litigation costs.

30. '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:

- Staffing: selection is the process of identifying and choosing the best person from the candidates available for a job. Each stage supplies evidence of the applicant's suitability.
- The stages described up to verification are preliminary screening, selection tests, employment interview, and reference and background checks. They must be explained in the order in which Verfab uses them.

Step 1: Explain screening and testing **1. Preliminary screening:** The manager or Human Resources team eliminates unqualified or unfit job seekers on the basis of the information given in their application forms. It checks whether applicants meet the basic qualifications and other requirements of the job. In Verfab, the team reviewed qualifications, experience and suitability and "shortlisted 21 candidates who met the basic requirements". This reduced the pool to applicants worth assessing further.

2. Selection tests: These tests measure characteristics of individuals, ranging from manual dexterity to intelligence and personality. Their results help predict whether a candidate can perform the job satisfactorily. Verfab tested sewing skills, attention to detail and knowledge of garment manufacturing processes. These assessments provided job-relevant evidence beyond the statements in the application forms; 15 candidates performed well enough to proceed.

Step 2: Explain interviewing and verification **3. Employment interview:** This is a formal, in-depth

conversation conducted to evaluate the applicant's suitability for the job. It allows the employer to obtain further information and the applicant to learn about the organisation and the position. In the case, 15 candidates had a "formal in-depth conversation" with senior staff from the design team, after which 10 were considered suitable.

4. Reference and background checks: The employer verifies information supplied by the candidate and seeks additional information about the candidate's experience, ability and character. Previous employers or other referees may be contacted for this purpose. Verfab contacted the previous employers of the 10 candidates to confirm their details. This check helps ensure that the selection rests on reliable information rather than unverified claims.

Step 3: Conclusion Up to the verification stage, Verfab followed preliminary screening, selection tests, employment interview, and reference and background checks. The later choice of eight candidates is the selection decision, which comes after the stages the question asks to explain.

Quick Tip to Solve: Match the case's action words to the stage: shortlist applications, test abilities, hold an in-depth conversation, and verify with previous employers.

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

(i) Universal applicability

(ii) Flexible

(iii) Cause and effect relationship [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decisions and behaviour. Their nature differs from rigid scientific laws because managers deal with people and changing situations.
- Universal applicability describes the range of organisations in which the principles can be used; flexibility describes how managers adapt them; cause and effect explains the likely consequences of managerial actions.

Step 1: Explain universal applicability **Universal applicability:** Management principles apply to all types of organisations, irrespective of their size, nature and purpose. A manufacturing company, a school, a hospital and a government department all require coordination, a clear assignment of duties and appropriate supervision. Their activities differ, but the need to manage people and resources is common.

However, the extent of application varies with the nature of the organisation, the business activity and the particular situation. For example, division of work is useful in both a factory and a school, but the tasks divided among production workers differ from those assigned among teachers. Thus, universal applicability does not mean identical application everywhere.

Step 2: Explain flexibility **Flexible:** The principles are not rigid prescriptions that a manager must follow mechanically. They can be modified in the light of the needs of a situation. A manager has discretion to interpret and apply a principle according to the circumstances, the people involved and

the objectives to be achieved.

For instance, the degree of centralisation can be reduced when subordinates are competent and quick local decisions are needed. In another situation, important decisions may remain concentrated at the top. Both arrangements can be appropriate because the principle guides managerial judgement rather than dictating one fixed arrangement for every organisation.

Step 3: Explain the cause and effect relationship **Cause and effect relationship:** Management principles aim to establish a relationship between a managerial action and its likely result. They help managers anticipate the probable consequences of their decisions. For example, assigning work according to employees' specialisation is likely to improve efficiency, while giving conflicting instructions can create confusion.

These relationships are less exact than those in the physical sciences because human behaviour is complex and situations change. Therefore, the predicted result is generally expected when the relevant conditions are similar; it is not an unconditional guarantee. Managers must examine the circumstances before applying the principle and assessing its likely effect.

Step 4: Conclusion Management principles are universally relevant guidelines, adaptable to particular circumstances, that help explain and predict the likely consequences of managerial decisions. Their application requires judgement because organisations and human behaviour differ.

Quick Tip to Solve: Distinguish the three ideas clearly: universal applicability asks "where?", flexibility asks "how can application change?", and cause and effect asks "what result is likely?"

OR

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

(i) Initiative

(ii) Order

(iii) Stability of personnel [6 marks]

Solution:

Concept:

- Henri Fayol's principles provide general guidelines for managing organisations. Initiative encourages employees to contribute ideas, order ensures an appropriate place for resources and people, and stability gives employees time to become efficient.
- These principles support efficiency through employee involvement, systematic arrangements and continuity of service. They are applied with judgement according to the organisation's circumstances.

Step 1: Explain initiative **Initiative:** Employees should be encouraged to develop and carry out their plans for improvement. Initiative means taking the first step with self-motivation: thinking out a plan and ensuring its execution. When employees have an opportunity to suggest better ways of working, they develop a sense of participation and contribute their practical knowledge to the organisation.

Managers should invite constructive suggestions and give employees appropriate freedom to imple-

ment useful ideas. For example, a worker may suggest a method that reduces material wastage. The organisation can evaluate the suggestion and reward a worthwhile improvement. Initiative must operate within the organisation's rules and objectives; it does not authorise an employee to disregard discipline or approved procedures. Managers should therefore encourage ideas while maintaining necessary coordination.

Step 2: Explain order **Order:** Fayol stated that there should be a place for everything and everyone, and everything and everyone should be in its designated place. Material order requires a proper, fixed and suitable place for materials, tools and other physical resources. This avoids the time and effort wasted in searching for equipment and helps work proceed without unnecessary interruption.

Social order requires the right person to be placed in the right job. Duties should suit employees' abilities, and employees should be available at their proper workplace when required. For example, keeping tools at designated locations and assigning a trained technician to the relevant machine combines material and social order. Proper arrangement minimises loss of time and resources and promotes orderly, efficient functioning.

Step 3: Explain stability of personnel **Stability of personnel:** Employee turnover should be minimised to maintain organisational efficiency. Employees should be selected through a rigorous process and then given reasonable stability and tenure in their positions. They need sufficient time to learn their duties, adjust to the work environment and become proficient.

Frequent transfers or replacements disrupt this learning and create insecurity. They also increase the costs of recruitment, selection and training, while the organisation loses experienced employees. For example, repeatedly replacing a newly trained employee prevents the organisation from benefiting fully from that person's developing skills. Stability builds confidence, continuity and effective working relationships; it does not mean retaining an unsuitable employee regardless of performance.

Step 4: Conclusion Initiative encourages employees to propose and execute improvements, order puts resources and people in their appropriate places, and stability of personnel gives employees continuity and time to become efficient. Together, these principles strengthen participation and organisational efficiency.

Quick Tip to Solve: Link initiative with ideas and their execution, order with the right place and right person, and stability with adequate tenure and reduced employee turnover.

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 deciding in advance what to do and how to do it. It translates organisational objectives into a course of action.
- Planning provides direction and reduces the risks of uncertainty, but fixed plans may create rigidity and may not work in a dynamic environment.

Step 1: Identify the first benefit: planning provides directions **Planning provides directions:** The relevant line is: "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." By stating in advance how work is to be done, planning gives direction for action. Employees know what the organisation seeks to achieve and what they must do to contribute. Clearly stated goals guide decisions and help different departments work towards the same objectives rather than act without a common purpose.

Step 2: Identify the second benefit: planning reduces the risks of uncertainty **Planning reduces the risks of uncertainty:** The case states: "This analysis enabled the company to look ahead and anticipate changes and develop managerial responses, wherever necessary." Planning requires managers to look ahead, anticipate possible changes and prepare responses. Analysing market trends, customer preferences and production schedules helps Stepone Footwear prepare for future conditions. Planning cannot eliminate uncertainty, but it reduces its impact by preparing the business to deal with expected events.

Step 3: Identify the first limitation: planning leads to rigidity **Planning leads to rigidity:** The relevant line is: "The managers of 'Stepone Footwear' did not have the flexibility to change the plan to cope with the changed circumstances." A specific plan fixes goals and the course of action for a given period. Managers may then adhere to the predetermined plan even when circumstances call

for a different approach. Here, the already planned production restricted the managers' flexibility to respond to the new demand for eco-friendly shoes.

Step 4: Identify the second limitation: planning may not work in a dynamic environment **Planning may not work in a dynamic environment:** The case states: "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 change continuously, and changes in consumer preferences can make existing plans ineffective. Plans based on earlier market conditions could not adequately address the sudden surge in demand for eco-friendly footwear. Consequently, Stepone's planned output became surplus while its adaptable competitor gained the market advantage.

Step 5: Conclusion The two benefits are **providing directions** and **reducing the risks of uncertainty**. The two limitations are **rigidity** and **difficulty in coping with a dynamic environment**, each illustrated by the quoted case evidence.

Quick Tip to Solve: Match clear goals with direction, anticipation with reduced uncertainty, inflexibility with rigidity, and rapidly changing market conditions with the dynamic-environment limitation.

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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 — sustainablility 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 performs activities that facilitate the exchange of goods and services and help satisfy customer needs. Branding, packaging and labelling, and promotion are distinct functions described in the case.
- Branding creates a distinctive identity; packaging and labelling protect and describe the product; promotion informs potential customers and persuades them to buy it.

Step 1: Identify and explain branding **Branding:** The case states: "They named the business 'Earthy Store' which indicated the products' benefits and qualities and reflected the values of the business — sustainability and health." It also states: "They chose a 'logo' that incorporated elements of nature and used earthy colours to convey their organic commitment." Branding involves giving a product a special name, sign, symbol or design that distinguishes it from competing products. The brand name and logo help customers identify and recognise Earthy Store's products. They communicate the desired image of sustainability and health, making it easier for satisfied customers to select the same seller's products again.

Step 2: Identify and explain packaging and labelling **Packaging and labelling:** For packaging, the case states: "They designed and developed eco-friendly biodegradable bags and reusable containers to courier their products to the customers." Packaging means designing and developing the package for a product. The bags and containers hold the organic produce, protect it during handling and transport, and make its delivery convenient. Their eco-friendly design also supports the product's sustainable image. For labelling, the case states: "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 and developing the label placed on the package. These stickers identify and describe the produce and communicate important information that helps customers evaluate and use it. Packaging and labelling together constitute one marketing function in the NCERT classification.

Step 3: Identify and explain promotion **Promotion:** The relevant line is: "'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 involves informing customers about the firm's products, their features and benefits, and persuading them to purchase. The website and media presence communicate the availability and qualities of the organic produce to potential buyers. This communication helps build awareness, attract customers and support demand in the competitive market. It is a promotional activity because its stated purpose is to inform and persuade, rather than merely to name or package the produce.

Step 4: Conclusion The three functions are **branding**, **packaging and labelling**, and **promotion**. The name and logo establish identity; the bags, containers and stickers package and describe the produce; and the website and media presence inform and persuade buyers.

Quick Tip to Solve: Count packaging and labelling as one NCERT marketing function here: name and logo indicate branding, bags and information stickers indicate packaging and labelling, and informing and persuading indicate promotion.

34(a). Explain any two organizational barriers and two psychological barriers to communication.

[6 marks]

Solution:

Concept:

- Communication is effective when the receiver understands a message in the sense intended by the sender. Barriers obstruct this exchange or distort the meaning conveyed.
- Organisational barriers arise from the organisation's policies, rules and structure. Psychological barriers arise from the mental state, attitudes or perceptions of the sender and receiver.

Step 1: Explain two organisational barriers

- **Organisational policy:** An organisational policy that does not support a free flow of communication becomes a barrier. For example, an excessively centralised policy may require every communication to follow a rigid chain of command. Employees may then hesitate to communicate directly with a superior or convey suggestions freely. The policy restricts the timely exchange of information even when the message itself is clear.
- **Rules and regulations:** Rigid rules and cumbersome procedures may delay communication and make it ineffective. When a message must pass through prescribed channels and obtain several approvals, it takes longer to reach the person who needs it. Excessive adherence to formal procedures may also discourage employees from bringing urgent information to management's attention promptly.

Step 2: Explain two psychological barriers

- **Premature evaluation:** The receiver may judge the meaning of a message before the sender has completed it. Preconceived notions or prejudices cause the receiver to draw a conclusion without hearing all the facts. The actual message is therefore not understood in its entirety, and the response may be inappropriate. Effective understanding requires listening to the complete message before evaluating it.
- **Lack of attention:** A receiver whose mind is preoccupied may fail to listen carefully to the message. For instance, a superior occupied with an urgent problem may not attend to an employee's suggestion. Important details are missed even though they have been communicated, so the intended information does not produce the required understanding or action.

Step 3: Conclusion Organisational policy and rules and regulations are two organisational barriers; premature evaluation and lack of attention are two psychological barriers. The former obstruct communication through administrative arrangements, while the latter obstruct it through the participants' mental processes.

Quick Tip to Solve: Classify the cause before explaining it: policies and procedures belong to the organisation, while judging too early and failing to listen belong to the receiver's psychology.

OR

34(b). Explain any three merits and three demerits of external sources of recruitment. [6 marks]

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs. External recruitment attracts candidates from outside the organisation.
- External sources widen the pool of applicants and bring new talent, but they also require expenditure and time and may affect the motivation of existing employees.

Step 1: Explain three merits of external recruitment

- **Qualified personnel:** Management can attract people possessing the qualifications, knowledge and training required for a particular vacancy. It need not restrict its selection to the skills already available among existing employees. This is especially useful when the organisation needs specialised competence that its present workforce does not possess.
- **Wider choice:** External sources provide a large number of applicants from outside the organisation. Management can compare their qualifications and abilities and select the person most suited to the job. The broader field of selection improves the possibility of finding an appropriate match between the job requirements and the candidate.
- **Fresh talent:** New recruits bring fresh ideas, different experiences and new approaches to organisational problems. Their entry can introduce improved methods and challenge established ways of doing work. Thus, the organisation gains talent and perspectives beyond those already present within it.

Step 2: Explain three demerits of external recruitment

- **Dissatisfaction among existing staff:** Filling higher positions with outsiders may disappoint existing employees who expected promotion. They may feel that their service and experience have been ignored. This can reduce their motivation and loyalty and weaken the incentive to work harder for advancement within the organisation.
- **Costly process:** External recruitment involves expenditure on advertising vacancies, inviting and processing applications, and carrying out selection procedures. The organisation must spend resources to locate and assess people who are not already known to it. Consequently, it is generally more expensive than filling a vacancy internally.
- **Lengthy process:** Management must identify external sources, invite applications, examine them and complete the selection process. These activities take considerable time, so a vacancy cannot necessarily be filled immediately. This delay can be inconvenient when the organisation needs a person urgently.

Step 3: Conclusion Three merits are qualified personnel, wider choice and fresh talent. Three demerits are dissatisfaction among existing staff, a costly process and a lengthy process. External recruitment therefore expands access to suitable people, but management must weigh this benefit against its effect on staff and the resources required.

Quick Tip to Solve: Keep the two lists distinct: explain what outsiders add to the talent pool, then explain the effects on existing staff, recruitment cost and recruitment time.