CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/1/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. 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 securities being issued by a company for the first time. It is also called the new issues market.
- In a primary issue, the issuing company determines the price; in the secondary market, demand and supply determine the trading price.

Step 1: Identify who issues the security The question says that prices are "determined and decided by the management of the company". This describes a new issue offered by the company to investors, rather than an exchange transaction between existing security holders.

Step 2: Eliminate the trading markets Secondary and stock markets permit trading in existing securities, where market demand and supply determine prices. The money market deals in short-term funds and is not the new-issue market referred to here.

Step 3: Conclusion Prices decided by company management identify the primary market. Hence, the correct option is (A).

Quick Tip to Solve: Ask whether the company is issuing securities or investors are trading existing ones: company-set issue prices point to the primary market.

2. 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 connects savers who have surplus funds with investors who require funds for productive activities.

- It mobilises savings and channels them towards productive investment by providing alternative financial assets.

Step 1: Check Statement I Statement I is true: a financial market facilitates the transfer of savings from savers to investors. The market provides the mechanism through which surplus funds can reach users of capital.

Step 2: Check Statement II and compare the options Statement II is also true: savers can choose between different investments, while funds are directed towards productive uses. Thus options (A) and (B), each denying one true statement, are incorrect; option (D) incorrectly denies both.

Step 3: Conclusion Both statements correctly describe the role of a financial market. Hence, the correct option is (C).

Quick Tip to Solve: Separate the two roles: transferring savings and offering investment choices are complementary functions, so neither statement contradicts the other.

3. '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 is a factor affecting a company's dividend decision.
- A large, reputed company that can raise fresh capital readily has less need to retain profits and can distribute a larger proportion as dividend.

Step 1: Locate the decisive evidence The case says Dovex could "raise capital easily from the market whenever expansion or new projects were to be undertaken". Its reputation and investor confidence give it easy access to external capital, reducing dependence on retained earnings.

Step 2: Distinguish the other factors Cash flow position concerns the cash available for dividend payment, which is not the stated reason. Stock market reaction concerns the effect of dividend policy on share prices. Legal constraints concern statutory limits on dividends. Neither of these explains the easy raising of fresh capital described here.

Step 3: Conclusion The factor enabling high dividends is access to the capital market. Hence, the

correct option is (D).

Quick Tip to Solve: When the case links high dividends to an established reputation and easy raising of fresh funds, identify access to the capital market.

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

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

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

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

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

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

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

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

Solution:

Concept:

- Placement assigns a selected employee to the position for which the employee has been selected; orientation familiarises the employee with the organisation.
- Recruitment attracts prospective employees to apply, while performance appraisal evaluates actual performance against predetermined standards.

Step 1: Match placement and recruitment Placement means occupying the selected post, so 1 matches (ii). Recruitment means searching for prospective employees and stimulating them to apply, so 2 matches (iv). This distinction separates filling a selected post from attracting applicants.

Step 2: Match orientation and appraisal Orientation introduces the selected employee to colleagues, rules and policies, so 3 matches (i). Performance appraisal evaluates current or past performance against standards, so 4 matches (iii). Option (A) mismatches placement, option (B) confuses recruitment with appraisal, and option (D) confuses recruitment with orientation.

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

Quick Tip to Solve: Use the action words: attract applicants means recruitment; take the post means placement; become familiar means orientation; evaluate means appraisal.

5. 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 includes social forces such as traditions, values, trends and society's expectations.
- Expectations concerning the workforce reflect social attitudes, whereas saving, investment and planned expenditure are economic matters.

Step 1: Identify the social element "Expectations from the workforce" are expectations about people and their role in society and business. Such expectations arise from social values and attitudes, and therefore belong to the social environment.

Step 2: Classify the remaining elements Rates of saving and investment and planned outlay in the public and private sectors belong to the economic environment, so options (A) and (D) are incorrect. The nature of relations with foreign countries is a political-environment element, so option (C) is also incorrect.

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

Quick Tip to Solve: Classify people-related values and expectations as social; classify saving, investment and expenditure as economic.

6. 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 designed to encourage immediate purchase and boost sales.
- A temporary price reduction or discount gives customers an additional financial inducement to buy during a specified period.

Step 1: Read the offer in the picture The Mehta Sons Garments display states "50% OFF" and "ONLY FOR 2 days". The discount and the short time limit together are a temporary incentive encouraging customers to purchase immediately.

Step 2: Distinguish the promotion tools Advertising primarily communicates a paid promotional message; personal selling involves direct personal interaction; public relations builds favourable relations and goodwill. Here the decisive tool is the special short-term discount itself, rather than personal persuasion or a goodwill activity, so options (A), (B) and (D) do not identify the incentive.

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

Quick Tip to Solve: A limited-period discount, rebate, coupon or free gift is a sales-promotion incentive, even when an advertisement communicates the offer.

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

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

(A) Advertising

(B) Personal selling

(C) Sales promotion

(D) Public relations

Correct Answer: (D) Public relations

Solution:

Concept:

- Public relations covers activities that create a favourable public image and build good relations with the organisation's public.
- Events, competitions and community participation can attract public interest and goodwill towards a business.

Step 1: Identify the relationship-building activity Beenu's daughter "organised story writing and other competitions every weekend" around the joy of reading physical books. These events engaged children and parents with the bookstore, increased footfall and helped create a favourable image of Book-mark.

Step 2: Separate the main tool from supporting publicity Television, radio and magazines communicated information about the events, but the campaign centres on building public interest through competitions and participation. Personal selling would involve direct sales conversations; sales promotion would centre on an immediate purchase incentive. Advertising alone describes paid messages, rather than the relationship-building programme described here.

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

Quick Tip to Solve: Identify the purpose of the whole activity: engaging the public through events to build goodwill points to public relations, even when media announce those events.

8. 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 customers prefer products that are widely available and affordable.
- Management therefore concentrates on large-scale production, lower unit costs and efficient distribution.

Step 1: Identify the decisive means The question names availability and affordability. Under the production concept, a business expands output and improves production and distribution efficiency so that more customers can obtain the product at a low price.

Step 2: Eliminate the other philosophies The marketing concept starts with customers' needs and seeks satisfaction. The selling concept stresses aggressive selling and promotion. The product concept stresses quality, performance and innovative features. None of these uses availability and affordability as its defining means.

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

Quick Tip to Solve: Link low price plus widespread availability with production; link superior quality with the product concept.

9. 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 leadership involves consulting subordinates and encouraging their participation in decision-making.
- The leader guides group effort while allowing employees to contribute ideas and jointly develop plans.

Step 1: Match Ravi's conduct with participation Ravi initiated "open dialogues" and encouraged employees to "actively participate in decision-making". The words "Together, they developed action plans" show that decisions were made with employee involvement. These are direct features of democratic leadership.

Step 2: Distinguish the alternatives Autocratic leadership means giving orders and deciding without participation; this describes the earlier situation that Ravi changed. Free-rein leadership gives subordinates extensive freedom with minimal leadership intervention, whereas Ravi actively guided the discussions. Therefore a combination of autocratic and democratic styles is not the description given.

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

Quick Tip to Solve: In a leadership case, consultation and joint decisions signal democratic leadership, even when the leader initiates change.

10. **_____ 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 the minimum resources and cost.
- Effectiveness concerns achieving the desired objective, whereas efficiency concerns the relationship between inputs and output.

Step 1: Interpret the wording The phrases "doing the task correctly" and "with minimum cost" emphasise the method of work and economical use of resources. A manager is efficient when the required output is produced without unnecessary expenditure or wastage.

Step 2: Reject the other terms Effectiveness means completing the right task and attaining the objective; attainment alone does not establish minimum cost. Coordination integrates the efforts of different people and departments. A process is a series of interrelated activities. Neither coordination nor process is the specific term for economical task performance.

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

Quick Tip to Solve: For this distinction, associate achieving the target with effectiveness and minimising resources with efficiency.

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11. **'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 provides the broad contours of an organisation's business.
- It sets the long-term direction and scope after considering the business environment, including customers and competitors.

Step 1: Use the case evidence Nikhil wanted a plan providing the "broad contours of the company's business". The team studied "emerging trends, customer preferences, and potential competitors", and the resulting plan defined "direction and scope in the long run". These details identify a strategy for becoming the market leader.

Step 2: Distinguish narrower plans A policy is a general guideline for decisions. A rule states a specific action that must or must not be taken. A procedure specifies a sequence of steps for a recurring activity. These plans do not, by themselves, establish the comprehensive long-term direction and competitive scope described in this case.

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

Quick Tip to Solve: Look for broad business direction, long-term scope and analysis of competitors when identifying a strategy.

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

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

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

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

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

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

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

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

Solution:

Concept:

- The right to be heard gives consumers an opportunity to register complaints and have their interests considered.
- Consumer service and grievance cells are mechanisms through which responsible businesses listen to and resolve consumer complaints.

Step 1: Evaluate the assertion The assertion is true. Enlightened firms establish their own consumer service and grievance cells so that dissatisfied consumers can communicate problems and seek their

resolution.

Step 2: Evaluate the reason The reason is also true. A consumer has a right to file a complaint and be heard when dissatisfied with a good or service. This is the consumer's right to be heard.

Step 3: Establish the explanatory link A grievance cell provides an institutional channel for exercising precisely this right. Thus the consumer's entitlement to raise complaints explains why enlightened firms create these cells. Option (B) wrongly denies this link; (C) and (D) wrongly treat one of the true statements as false.

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

Quick Tip to Solve: For an assertion about grievance cells, test whether the stated consumer right is exercised through those cells.

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

(A) Provides liquidity and marketability to new securities

(B) Ensures safety of transactions

(C) Contributes to economic growth

(D) Provides scope for speculation

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

Solution:

Concept:

- A stock exchange provides a continuous market for buying and selling existing securities, thereby providing liquidity and marketability.
- New securities are initially issued in the primary market; subsequent trading takes place in the secondary market.

Step 1: Find the incorrect qualifier Option (A) refers to liquidity and marketability to "new securities". The stock exchange's function is to provide liquidity and marketability to existing securities through secondary-market trading. The initial issue of new securities belongs to the primary market, so this wording makes (A) incorrect.

Step 2: Verify the remaining functions A stock exchange ensures safety of transactions through regulated dealings in listed securities. Trading helps channel savings towards productive investment and contributes to economic growth. It also provides scope for speculation within prescribed rules, which supports liquidity. Thus (B), (C) and (D) correctly state its functions.

Step 3: Conclusion The incorrect statement is "Provides liquidity and marketability to new securities". Hence, the correct option is (A).

Quick Tip to Solve: In stock-exchange MCQs, check whether a statement says new or existing securities; that single word can decide the answer.

14. 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 entrusting responsibility, granting the necessary authority and creating accountability for performance.
- A manager can delegate authority to a subordinate but cannot escape the ultimate accountability attached to the assigned work.

Step 1: Assess Statement I Statement I correctly describes delegation. The subordinate receives responsibility for performing a task and authority to act, and becomes answerable for the performance of that task. These are the three elements of delegation.

Step 2: Assess Statement II and compare options Statement II is also true. Delegation does not reduce the manager's accountability to the superior: the manager remains accountable to the same extent as before delegating. Consequently (A) and (B) each wrongly call one true statement false, while (D) wrongly calls both false.

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

Quick Tip to Solve: Remember the distinction: authority may be delegated, but the manager's ultimate accountability remains.

15. "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 the career-oriented process of helping employees grow towards maturity and realise their potential capabilities.
- Training improves the skills needed for a particular job, whereas development prepares a person for broader and future responsibilities.

Step 1: Recognise the career-oriented process The phrases "career oriented process and "maturity and actualization of their potential capabilities identify development. Its concern is the employee's overall growth, rather than immediate proficiency in a single task.

Step 2: Distinguish the remaining options Staffing is the wider managerial function of obtaining and retaining suitable people. Selection chooses the most suitable applicant for a job. Training develops specific job-related skills. None of these is the broad, career-oriented growth process described here.

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

Quick Tip to Solve: Link job-specific skill improvement with training and long-term career growth with development.

16. 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 movement of finished goods from producers to customers and their availability at the right place and time.
- Its main components include order processing, transportation, warehousing and inventory control.

Step 1: Separate movement from product classification Standardisation establishes product standards, while grading classifies products into groups on the basis of quality or other characteristics. These are marketing functions concerning product uniformity and classification, rather than the physical

movement of goods.

Step 2: Check each listed distribution activity Inventory control maintains suitable stock levels so orders can be met without excessive stock. Order processing deals with receiving and fulfilling orders. Transportation moves goods to buyers. Thus (A), (C) and (D) belong to physical distribution and cannot be selected for this negative question.

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 orders, transport, storage and stock; grading concerns product classification.

17. 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 a plan operates for a specified period and is followed by another plan based on changing needs.
- Planning involves preparing, implementing and reviewing plans, so completing one planning period does not end the process.

Step 1: Locate the evidence of repetition The case states that "At the end of that period, there is a need for a new plan to be drawn. Replacing an expiring plan with a new one for fresh requirements shows that planning continues from one period to the next.

Step 2: Distinguish the other features Being futuristic means looking ahead and anticipating future conditions; that is involved in planning but does not capture the repeated renewal emphasised here. Pervasiveness means planning at all management levels. A mental exercise means intellectual thinking and judgement. Neither of the latter two features describes successive plans.

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

Quick Tip to Solve: When a case emphasises one plan being followed by another, identify continuity rather than merely looking ahead.

18. 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 organisational structure groups jobs of a similar nature into major functions such as marketing, personnel and purchasing.
- Functional specialisation promotes efficient use of manpower and avoids duplication within each specialised activity.

Step 1: Identify the basis of departmentalisation The decisive evidence is that "jobs of similar nature are grouped together into Human Resource, Marketing, Purchase, and Research and Development departments. These are business functions. Their heads report to Mohit as the coordinating head, which is consistent with a functional structure.

Step 2: Rule out the other structures An informal structure develops from personal interaction rather than a formally defined departmental arrangement. A divisional structure groups activities around separate products or product lines, with functions repeated within each division. No such product divisions are described, so (B) is incorrect and the combined option (D) also fails.

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

Quick Tip to Solve: Identify the grouping basis: departments named by activities indicate functional structure; product groups indicate divisions.

19. 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 determines the sources from which those funds will be raised.
- It helps ensure that adequate funds are available at the required time while avoiding unnecessary surplus funding.

Step 1: Match the definition with the process The question combines two tasks: "estimating fund requirements and "specifying the sources of funds. Together these define financial planning, which prepares the business to meet its future financing needs.

Step 2: Distinguish related financial terms Capital structure is the mix of owners' funds and borrowed funds, not the whole estimation process. Financial management is the broader management of financial decisions and resources. Capital budgeting evaluates long-term investment proposals. Thus (A), (C) and (D) are related concepts but do not match the specific definition.

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

Quick Tip to Solve: Pair the questions "How much finance? and "From where? with financial planning.

20. '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:

- Understanding the business environment helps firms identify opportunities and obtain the first mover advantage by acting before competitors.
- An opportunity is a favourable external development that a firm can use to improve its position in

the market.

Step 1: Identify the opportunity and early action The technological advancement in Artificial Intelligence created an opportunity in house design. SK Builders was "the first to recognize the need to use it and became the market leader. These words directly connect opportunity recognition with the advantage of acting first.

Step 2: Distinguish the remaining benefits Identifying threats and warning signals concerns adverse developments, which the case does not emphasise. Tapping useful resources concerns obtaining environmental inputs. Improving performance is a broader possible result, but the specific causal evidence here is early recognition and first action, making (B) the most precise answer.

Step 3: Conclusion It enables the firm to identify opportunities and get the first mover advantage. Hence, the correct option is (B).

Quick Tip to Solve: Look for "first to recognise and early market leadership as clues to opportunity identification and first mover advantage.

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21. 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 to use equipment in a separate training area that reproduces the actual work environment.
- The training area uses equipment and materials identical to those at the workplace, so employees acquire practical skills without disturbing regular production.

Step 1: Identify the method from the case The method used by BB Motors is **vestibule training**. The decisive clues are that an 'actual work environment was created by allotting a specialized space' and that the equipment was 'identical to those used on the factory floor'. Thus, training takes place in a specially created replica of the workplace rather than during normal production.

Step 2: Explain how vestibule training works **Separate learning area:** Trainees are taken away from the actual production floor to a designated training area. Here BB Motors calls that area the 'Learning Floor'.

Realistic equipment and practice: The same kinds of car components, tools and sophisticated equipment as those used in the actual job are provided. Employees practise the operations they will later perform in production.

Suitable for complex equipment: This method is appropriate where employees must learn to handle sophisticated machinery and equipment. They can develop familiarity and skill before taking up their normal production duties, while the factory continues its regular work.

Step 3: Conclusion BB Motors uses vestibule training: its separate Learning Floor recreates factory conditions and provides identical equipment so that employees gain the practical skills required to build high-performance cars.

Quick Tip to Solve: Look for a separate replica of the workplace with identical machinery: that identifies vestibule training, even if the training area is inside the factory premises.

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

Solution:

Concept:

- SEBI protects the interests of investors in the securities market and promotes fair dealings by market participants.
- Protective functions guard investors against misleading conduct and exploitation; distinguish them from SEBI's developmental and regulatory functions.

Step 1: State protection against fraudulent practices **Prohibiting fraudulent and unfair trade practices:** SEBI takes steps to check practices such as price rigging and misleading statements that distort trading in securities. Such conduct can induce investors to buy or sell on false information or at manipulated prices. Preventing it protects investors from being cheated and helps maintain fair transactions.

Step 2: State the other two protective functions **Controlling insider trading and imposing penalties:** Insiders may possess unpublished price-sensitive information because of their position in a company. SEBI acts against trading on such information for personal gain and imposes penalties for violations. This protects ordinary investors who do not have access to that confidential information.

Undertaking investor education and protection: SEBI educates investors about securities, their rights and the precautions they should take while investing. An informed investor can better identify misleading offers, assess risks and avoid exploitation. This supports the protection of the investing public.

Step 3: Conclusion Three protective functions are prohibiting fraudulent and unfair trade practices, controlling insider trading and imposing penalties for it, and undertaking investor education and protection.

Quick Tip to Solve: For protective functions, recall unfair practices, insider trading and investor education; avoid substituting broker registration or training of intermediaries.

OR

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

Solution:

Concept:

- The money market deals in short-term funds and monetary assets, while the capital market provides a channel for medium- and long-term finance.
- A valid comparison uses the same basis for both markets; maturity, instruments and participants clearly distinguish them.

Step 1: Choose three common bases Compare the markets on **duration**, **instruments** and **participants**. Duration shows the period for which funds are raised, instruments show the claims traded, and participants identify the main institutions or investors using each market. Keep each contrast on its own basis rather than mixing maturity with risk or return.

Step 2: Present the differences

Basis	Money Market	Capital Market
Duration	Deals in short-term funds for a period of up to one year.	Deals in medium- and long-term funds, generally for periods exceeding one year.
Instruments	Main instruments include Treasury Bills, Commercial Paper, Call Money, Certificates of Deposit and Commercial Bills.	Main instruments include equity shares, preference shares, debentures and bonds.
Participants	Major participants include the RBI, commercial banks, financial institutions and finance companies.	Participants include financial institutions, banks, companies, foreign investors and ordinary retail investors.

The capital market therefore allows individual investors to participate alongside institutions, whereas the money market is largely an institutional market involving large transactions.

Step 3: Conclusion The money market primarily meets short-term funding needs, while the capital market channels medium- and long-term funds. Their maturity periods, instruments and main participants provide three distinct bases of comparison.

Quick Tip to Solve: Start with the one-year maturity boundary, then name instruments and participants under matching bases in a comparison table.

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

Solution:

Concept:

- Business environment means the totality of individuals, institutions and other forces outside a business enterprise that may affect its performance.

- The environment is understood through its features: external forces interact, keep changing and may not be easy to predict. These features explain why managers must study their surroundings continuously.

Step 1: State interrelatedness **Interrelatedness:** Different elements of the business environment are closely related to one another. A change in one element can bring changes in others. For example, growing health consciousness may increase demand for health-oriented products and influence firms' production and marketing decisions.

Step 2: State its dynamic nature **Dynamic nature:** The business environment keeps changing. Changes may arise from technology, consumer preferences, competition or government policy. A business therefore cannot assume that the conditions under which it operates today will remain the same in the future.

Step 3: State uncertainty **Uncertainty:** It is difficult to predict future environmental changes, particularly when changes occur frequently and rapidly. Although managers can study trends and prepare plans, they cannot forecast every change in the market or the exact impact it will have on their enterprise.

Step 4: Conclusion Three features of the business environment are **interrelatedness, dynamic nature and uncertainty**. They require a business to remain alert to external developments and adjust its decisions as conditions change.

Quick Tip to Solve: Distinguish the features: interrelatedness means forces affect one another, dynamic nature means conditions change, and uncertainty means future changes are hard to predict.

OR

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

Solution:

Concept:

- Demonetisation means withdrawing the legal-tender status of a currency denomination. In India, the demonetisation announced in November 2016 withdrew the legal-tender status of the then existing Rs 500 and Rs 1,000 notes, subject to the announced arrangements.
- Its features concern the effect on unaccounted cash, compliance with tax obligations and the movement towards formal and digital transactions. These are distinct aspects of the policy.

Step 1: State its tax-administration character **A tax-administration measure:** Demonetisation is a tax-administration measure. Cash accumulated out of undeclared income could no longer be freely used in the withdrawn denominations. Bringing such money into the banking system created a trail that could be examined by the tax authorities, making concealment more difficult.

Step 2: State its signal about tax evasion **Tax evasion would no longer be tolerated:** It signalled a change in approach towards people who evade taxes. The policy conveyed that holding unaccounted income in cash was risky and that citizens and businesses should disclose income and comply with their tax obligations instead of remaining outside the formal system.

Step 3: State its encouragement of digital transactions **Channelising savings into the formal financial system:** Demonetisation encouraged people to place savings in banks and use formal financial channels. In this sense it was also a step towards a less-cash economy, as people were encouraged to use electronic payments rather than rely entirely on cash transactions.

Step 4: Conclusion Demonetisation was a **tax-administration measure**, signalled that **tax evasion would not be tolerated**, and sought to **channelise savings into the formal financial system**, encouraging a less-cash economy.

Quick Tip to Solve: State separate policy features: tax administration, the signal against tax evasion, and the shift of savings and payments towards formal financial channels.

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24. 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, machinery and buildings. The amount required depends on the method of production and the enterprise's expected future growth, among other factors.
- In a case-based question, identify the factor from the evidence and explain how it changes the need for fixed assets. Using the latest machinery does not by itself establish that existing machinery has become obsolete.

Step 1: Identify the choice of technique **Choice of technique:** The venture required "heavy investment in plant and machinery and less on manual labour". This describes a **capital-intensive technique**. An enterprise using a capital-intensive production method needs more fixed capital because it invests heavily in machinery and equipment. In contrast, a labour-intensive technique uses more human effort and generally requires less investment in plant and machinery. Kanav's purchase of solar panels, inverters and battery storage systems therefore increases the fixed capital requirement of the plant.

Step 2: Identify growth prospects **Growth prospects:** The business had "good expansion possibilities", and Kanav decided "to create a higher capacity to meet the anticipated demand quickly". An enterprise with higher growth prospects needs more fixed capital to build additional capacity in advance. Growing

demand for clean energy prompted Kanav to invest further in fixed assets so that the plant could serve the expected larger market without delay. This is investment for future expansion, rather than merely expenditure on day-to-day operations.

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

Quick Tip to Solve: Link machinery versus manual labour to choice of technique; link anticipated demand and creation of additional capacity to growth prospects.

25. 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 redressal commissions hear complaints about defective goods, deficient services and unfair trade practices. Housing construction is a service for which the buyer pays consideration.
- The appropriate commission depends on the pecuniary jurisdiction applicable to the complaint. Relief aims to restore the consumer's money and compensate loss caused by the supplier's deficiency.

Step 1: Identify the grievance redressal agency Anuj approached the **State Consumer Disputes Redressal Commission (State Commission)**. The consideration paid for the housing service is Rs 2 crore, which places this complaint within the State Commission's pecuniary jurisdiction. The case states that the developer promised delivery "within 18 months", yet "did not respond" to repeated demands and refused the refund. These facts establish the nature of his grievance as deficiency in the promised housing service.

Step 2: State three reliefs available to Anuj If the commission is satisfied with his complaint, it can order the developer to provide the following reliefs:

1. **Refund of the amount paid:** Return the Rs 2 crore paid as an advance. Interest may also be awarded as appropriate for the period during which the developer retained his money without delivering the promised property.
2. **Compensation for loss or injury:** Pay reasonable compensation for the loss or injury Anuj suffered because of the deficient service, including the consequences of the unjustified delay.
3. **Payment of litigation costs:** Pay adequate costs incurred by Anuj in pursuing his consumer complaint, so that obtaining redress does not leave him bearing those expenses.

Step 3: Conclusion The agency is the **State Commission**. Three possible reliefs are refund of the advance with appropriate interest, compensation for loss or injury, and adequate litigation costs.

Quick Tip to Solve: First identify the commission using the amount paid; then list distinct remedies such as refund, compensation and litigation costs.

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

Solution:

Concept:

- Coordination is the process of integrating the efforts of different individuals and departments so that they work towards common organisational objectives.
- It is the essence of management because planning, organising, staffing, directing and controlling require the activities of people to fit together harmoniously.

Step 1: State how coordination combines efforts and gives direction **1. Coordination integrates group efforts:** Different employees and departments perform specialised tasks and may have different priorities. Coordination brings their individual efforts together into a unified activity. For example, production and sales must agree on the output required, rather than pursue independent targets that conflict.

2. Coordination ensures unity of action: It gives a common focus to the efforts of individuals and teams. Their actions are linked in the required sequence and directed towards shared organisational goals. This prevents one department's decisions from obstructing another's work and helps the organisation act as a single unit.

Step 2: State how coordination continues throughout the organisation **3. Coordination is a continuous process:** It is required throughout the life of the organisation, rather than being a one-time arrangement. It begins at the planning stage and continues through implementation and control. As plans, personnel and circumstances change, their activities must be brought into harmony again.

4. Coordination is an all-pervasive function: It is needed at every level of management and in every department. Top management coordinates overall policies, middle management links departments and operating plans, and supervisors coordinate day-to-day work. Marketing, production, finance and other functions all depend on this integration.

Step 3: Conclusion Four characteristics are that coordination **integrates group efforts**, **ensures unity of action**, is a **continuous process**, and is an **all-pervasive function**.

Quick Tip to Solve: Use four distinct NCERT headings: integration, unity of action, continuity and pervasiveness; explain each rather than repeating the definition.

OR

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

Solution:

Concept:

- Middle level management links the top management with the supervisory or operational level. It includes departmental and divisional heads who implement the policies framed at the top.
- Its role is to translate the organisation's overall plans into departmental action and guide lower level managers so that departmental efforts contribute to common objectives.

Step 1: State the planning and staffing functions **1. Interpret top management's policies:** Middle level managers interpret the policies and plans framed by top management and explain them to lower level managers. They prepare suitable departmental plans and programmes for implementing those policies, making the broad directions meaningful for their particular department.

2. Ensure adequate departmental personnel: They ensure that their department has the necessary personnel. This requires identifying its staffing requirements and helping to arrange suitable employees so that the work assigned to the department can be performed effectively.

Step 2: State the directing and coordinating functions **3. Assign duties and responsibilities:** Middle level managers assign the necessary duties and responsibilities to the people working under them. By explaining what each subordinate must do, they translate departmental plans into specific tasks and make responsibility for performance clear.

4. Cooperate with other departments: They cooperate with other departments to secure the smooth functioning of the organisation. For example, the production department must coordinate its requirements and output with purchasing and sales, so that one department's work supports the work of the others.

Step 3: Conclusion Thus, four functions of middle level management are interpreting top management's policies, ensuring adequate departmental personnel, assigning duties and responsibilities, and cooperating with other departments.

Quick Tip to Solve: Link middle management to implementation: it converts top-level policies into departmental work and coordinates that work across departments.

27. Differentiate between Functional structure and Divisional structure on any four bases. [4 marks]

Solution:

Concept:

- A functional structure groups activities according to the functions performed, such as production, finance, marketing and personnel. Each functional department serves the organisation's products.
- A divisional structure groups activities according to products or product lines. Each product division contains the functions needed to operate that division and is accountable for its performance.

Step 1: Identify the organising principle Compare the structures by asking whether the primary unit

is a specialised function or a product division. The following four bases show how that choice affects grouping, specialisation, responsibility and managerial development. The comparison concerns the formal arrangement of work and authority, rather than merely the names of departments.

Step 2: Present four points of distinction

Basis	Functional structure	Divisional structure
Formation	Activities are grouped on the basis of functions performed, such as production, marketing and finance.	Activities are grouped on the basis of products or product lines, with a separate division for each major product.
Specialisation	It promotes functional specialisation because employees and managers concentrate on a particular function.	It promotes product specialisation because a division concentrates on all the activities connected with its particular product.
Responsibility	Responsibility for the profit of a particular product is difficult to fix because several functional departments contribute to it.	Responsibility for a product's profit can be fixed on the divisional head, as each division is accountable for its own performance.
Managerial development	Development of general managerial ability is limited because managers gain experience mainly in their own specialised function.	It helps develop general managerial ability because divisional managers gain experience in several functions relating to their product.

Step 3: Conclusion Functional structure is centred on functions and functional expertise, whereas divisional structure is centred on products, clearer product-wise accountability and broader managerial experience.

Quick Tip to Solve: Use the same basis on both sides of each comparison: function versus product explains the differences in specialisation, accountability and experience.

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

(i) Production cycle

(ii) Availability of raw material [4 marks]

Solution:

Concept:

- Working capital is the investment in current assets such as raw materials, work-in-progress, finished goods and debtors, needed for the day-to-day operation of a business.
- The working capital requirement rises when funds remain tied up in the operating cycle for a longer period or when the business must hold a larger stock of materials. Faster conversion and dependable supplies reduce this requirement.

Step 1: Explain the effect of the production cycle **(i) Production cycle:** The production cycle is the

time taken to convert raw materials into finished goods. A business with a longer production cycle requires more working capital because funds remain blocked in raw materials and work-in-progress for a longer time before finished goods are available for sale. The firm must continue paying wages and other production expenses while earlier output is still being processed.

A shorter production cycle requires less working capital, other things remaining the same, because finished goods become available sooner and the funds invested in production are released more quickly. Thus, a long manufacturing process calls for a larger investment in current assets than a short process of comparable scale.

Step 2: Explain the effect of raw-material availability **(ii) Availability of raw material:** If raw material is readily and continuously available from reliable suppliers, the business can maintain a smaller raw-material inventory. It can replenish its stock when required, so less money is tied up in stores and the working capital requirement is lower.

If supplies are irregular, scarce, seasonal or available only after a long procurement period, the business needs to maintain a larger stock to prevent interruptions in production. Buying and storing this extra inventory blocks more funds in current assets and increases the working capital requirement. Therefore, uncertain availability increases the need for working capital even if the planned level of production is unchanged.

Step 3: Conclusion A longer production cycle increases working capital needs, while a shorter cycle reduces them. Regular availability of raw material reduces the inventory investment required; irregular or seasonal availability increases it.

Quick Tip to Solve: For each factor, trace how long money is blocked in current assets: longer processing or larger safety stocks mean more working capital.

OR

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

(i) Control

(ii) Return on Investment [4 marks]

Solution:

Concept:

- Capital structure is the mix of owners' funds and borrowed funds used for long-term financing. Equity shareholders possess voting rights, whereas lenders normally do not participate in ownership control.
- Financial leverage can increase earnings per equity share when the return earned on the investment is greater than the interest payable on debt. The benefit must be weighed against the obligation to pay interest and repay borrowing.

Step 1: Relate control to the financing choice **(i) Control:** Raising funds through a fresh issue of equity shares increases the number of voting shares. If the existing shareholders do not subscribe proportionately, their percentage holding and voting power are diluted. Therefore, management

wishing to retain control may prefer debt, since borrowing normally does not give lenders voting rights in the company.

If the existing owners are willing to share control, or if the proposed equity issue does not materially affect their control, the company can rely more on equity capital. Thus, concern over dilution favours debt, while willingness to share ownership permits a greater equity component. This preference remains subject to the company's ability to bear the financial risk of borrowing.

Step 2: Compare investment returns with the cost of debt **(ii) Return on Investment:** When the company's return on investment is higher than the interest rate on debt, it can use more debt to take advantage of trading on equity. After paying the fixed interest charge, the surplus earnings from the borrowed funds accrue to equity shareholders and can increase earnings per share.

If the return on investment is lower than the interest rate, borrowing will reduce the earnings available to equity shareholders, since the funds earn less than their interest cost. In that situation, the company should avoid excessive debt and prefer a greater proportion of equity. For example, an investment earning 15 percent with debt costing 10 percent offers a favourable spread, whereas an investment earning 8 percent at the same debt cost does not. A high expected return alone is insufficient if the company cannot meet its fixed commitments.

Step 3: Conclusion A desire to retain voting control generally favours debt over a fresh equity issue. A return on investment above the interest rate favours debt through trading on equity; a return below that rate favours less debt and more equity.

Quick Tip to Solve: Keep the two tests separate: ask whether equity dilutes voting power, then whether the investment earns more than the interest charged on debt.

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

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

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

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

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

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

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

Solution:

Concept:

- Selection is the process of identifying and choosing the best person out of a number of prospective candidates for a job. Its successive stages eliminate applicants who do not meet the job requirements.
- Up to verification, the stages described are preliminary screening, selection tests, employment interview, and reference and background checks. Each supplies a different kind of evidence about a candidate's suitability.

Step 1: Explain preliminary screening **Preliminary screening:** The manager or human resources team scrutinises application forms and eliminates unqualified or unfit job seekers on the basis of the information supplied. It checks whether applicants meet the basic qualifications, experience and other requirements of the job. In Verfab, the team "reviewed each candidate's qualifications, experience and suitability" and shortlisted 21 candidates who met the basic requirements. This avoids spending time on detailed assessment of clearly unsuitable applicants.

Step 2: Explain selection tests **Selection tests:** These tests attempt to measure particular characteristics of individuals, such as intelligence, aptitude, personality or existing job proficiency. They help assess whether an applicant possesses the abilities needed for the work. Verfab tested "sewing skills, attention to detail, and knowledge of garment manufacturing processes". The results provided a basis for selecting 15 candidates for the next stage rather than relying only on claims made in application forms.

Step 3: Explain the employment interview **Employment interview:** This is a formal, in-depth conversation conducted to evaluate an applicant's suitability for the job. The interviewer can question the candidate about experience, abilities and expectations, and the candidate can obtain information about the organisation and the role. In the case, the 15 successful candidates had a "formal in-depth conversation with the senior staff from the design team", after which 10 were found suitable.

Step 4: Explain reference and background checks **Reference and background checks:** Employers contact the names, addresses or telephone numbers of referees supplied by applicants, including previous employers, to verify information and obtain additional evidence about experience, character and capability. Verfab contacted the 10 candidates' "previous employers to confirm the details the candidates had provided". This verifies the information before the final selection decision is taken.

Step 5: Conclusion Verfab followed preliminary screening, selection tests, employment interview, and reference and background checks up to the verification stage. The later choice of eight candidates is the selection decision and lies beyond the stage asked for.

Quick Tip to Solve: Match each action to its stage: application scrutiny is screening, measured abilities are tests, a formal conversation is an interview, and contacting former employers is a reference check.

30. 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 means ensuring that activities in an organisation are performed as planned. It involves measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.
- Its importance includes accomplishing organisational goals, judging the accuracy of standards and making efficient use of resources. These benefits arise because managers detect departures from plans and act on their causes.

Step 1: Identify the management function **(i) Controlling.** Piyush compared the actual production cost of Rs 700 per pair with the estimated cost of Rs 500 per pair and sought the reason for the adverse difference. The Chief Executive Officer then appointed Abhay to investigate it. Abhay found "overmanning in the organization" and reported that only 800 workers were needed. Thus actual performance was compared with a planned standard and the cause of the deviation was analysed, which identifies controlling.

Step 2: State three points of importance **(ii) Accomplishing organisational goals:** Controlling measures progress towards organisational objectives and brings deviations to light. Corrective action then helps activities return to the planned course so that the organisation can achieve its goals. Here the investigation highlights why the planned production cost was not achieved.

Judging accuracy of standards: A good control system enables management to verify whether the standards set are accurate and realistic. It reviews standards in the light of changes in the organisation and its environment, helping managers replace or revise unsuitable standards. Comparing actual results with the cost and staffing requirements gives management evidence for reviewing future targets.

Making efficient use of resources: Controlling reduces wastage and spoilage by ensuring that activities are carried out according to predetermined standards. Employees are aware of expected performance, and management can identify inefficient use of resources. In Comforty, the finding that the target "could have been completed by only 800 workers" shows that the 1000 workers were not being used optimally. Addressing this overmanning would help control unnecessary labour cost.

Step 3: Conclusion The function is controlling. Three points of its importance are accomplishing

organisational goals, judging the accuracy of standards, and making efficient use of resources; the overmanning investigation especially demonstrates the last point.

Quick Tip to Solve: A comparison of actual results with a target, followed by investigation of the difference, signals controlling. Keep its importance separate from the steps used to carry it out.

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

(i) Fulfilling social responsibility

(ii) Meeting changing environment requirements

(iii) Scientific decisions [6 marks]

Solution:

Concept:

- Principles of management are broad guidelines for managerial decision-making and behaviour. They are based on experience and experimentation and help managers understand the consequences of their actions.
- Their significance extends beyond higher productivity: they guide responsible conduct, allow management practices to adapt to changing conditions and provide an objective basis for decisions.

Step 1: Explain fulfilling social responsibility **Fulfilling social responsibility:** A business uses society's resources and must consider the interests of the groups affected by its activities. Management principles encourage managers to recognise responsibilities towards employees, consumers and the community instead of pursuing profit alone. For example, the principle of equity requires fair treatment of employees, while fair remuneration supports their welfare. Applying such principles helps the enterprise meet its obligations to society and creates goodwill and trust. Thus, managerial efficiency is pursued together with responsible behaviour.

Step 2: Explain meeting changing environment requirements **Meeting changing environment requirements:** Business conditions change with technology, competition, customer preferences and social expectations. Management principles are flexible guidelines rather than rigid rules, so a manager can modify their application to suit a new situation. For example, the degree of centralisation and decentralisation can be adjusted when an enterprise grows or its employees become more capable. Principles provide a stable basis for action while allowing suitable changes in methods. This adaptability helps the enterprise respond effectively to the changing environment and remain useful and competitive.

Step 3: Explain scientific decisions **Scientific decisions:** Management principles help managers take decisions based on logic, facts and an assessment of cause-and-effect relationships, rather than on personal prejudice, blind faith or trial and error alone. Since principles arise from observation and experience, they help managers judge the likely results of alternative courses of action. For example, decisions about work allocation can take account of specialisation and employees' abilities. Such objective decisions are more balanced, timely and defensible. Managers still exercise judgement because the principles must be applied in the particular circumstances of the organisation.

Step 4: Conclusion Principles of management help a business discharge its social responsibilities,

adapt its practices to changing environmental requirements and take logical, fact-based decisions. These three benefits improve the quality of management and support the enterprise's long-term effectiveness.

Quick Tip to Solve: For each significance point, link the principle to its benefit: responsible conduct, flexible adaptation or objective decision-making.

OR

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

(i) Unity of direction

(ii) Subordination of individual interest to general interest

(iii) Esprit de corps [6 marks]

Solution:

Concept:

- Henri Fayol's principles are general guidelines that help managers coordinate people and activities in an organisation. Their application depends on the circumstances of the enterprise.
- Unity of direction coordinates activities with a common objective; subordination of individual interest gives priority to organisational goals; esprit de corps builds team spirit and harmony.

Step 1: Explain unity of direction **Unity of direction:** All units of an organisation should move towards the same objectives through coordinated and focused efforts. Each group of activities having the same objective must have one head and one plan. This ensures unity of action, prevents duplication of effort and enables coordinated use of resources. For example, the production and sale of a particular product should be directed through a common plan under the responsible head. Activities having different objectives may have separate heads and plans. This principle concerns the direction of activities; it should not be confused with unity of command, which concerns an employee receiving orders from only one superior.

Step 2: Explain subordination of individual interest to general interest **Subordination of individual interest to general interest:** The interests of the organisation should take priority over the interests of any one individual or group of individuals. Employees and managers may have personal goals, but these must not be pursued at the cost of the enterprise's common objectives. For example, a manager must not favour a relative in recruitment when another candidate is better suited to the job. Managers should reconcile personal and organisational interests as far as possible, set an example through their own conduct and use fair policies. When a conflict cannot be reconciled, the general interest of the organisation must prevail.

Step 3: Explain esprit de corps **Esprit de corps:** Management should promote team spirit, unity and harmony among employees. Organisational objectives require the coordinated contribution of many people, so managers should encourage cooperation and a sense of belonging rather than divide employees into competing factions. Fayol suggested that a manager should replace 'I' with 'We' in conversations with workers to foster team spirit. The manager should give due recognition to collective effort and build mutual trust. A united team works with greater enthusiasm, reduces

friction and avoids the need to use penalties merely to obtain cooperation.

Step 4: Conclusion Unity of direction provides one head and one plan for activities with a common objective; subordination of individual interest places organisational interests first; and esprit de corps promotes unity and team spirit. Together, they guide employees' efforts towards the enterprise's common goals.

Quick Tip to Solve: Remember the three anchors: one objective–one plan; organisation before self; and 'We' instead of 'I'.

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

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

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

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

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

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

Solution:

Concept:

- Marketing includes the activities needed to identify customers' needs, develop a suitable offering and communicate its value. A good product also needs an identity, suitable presentation and communication with buyers.
- The three functions illustrated here are branding, packaging and labelling, and promotion. Packaging and labelling are explained together as one marketing function, while each performs a distinct role.

Step 1: Identify and explain branding **Branding:** "They named the business 'Earthy Store' which indicated the products' benefits and qualities and reflected the values of the business — sustainability and health." The choice of a nature-based logo also supports this function. Branding means giving a

product a special name, sign, symbol or design that distinguishes it from competitors' products. Here, the name and logo create a recognisable identity for the organic produce. They allow customers to identify and ask for the same seller's products again, and communicate its commitment to health and sustainability. A suitable brand name can suggest the product's benefits and qualities, as 'Earthy Store' does in this case.

Step 2: Explain packaging and labelling with separate evidence **Packaging and labelling:** "They designed and developed eco-friendly biodegradable bags and reusable containers to courier their products to the customers." Packaging means designing and producing the container or wrapper of a product. These bags and containers hold and protect the produce, facilitate handling and transportation, and improve its presentation. Their eco-friendly nature also supports the business's organic identity. 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 the label to be put on a package. The stickers describe and identify the product and supply information that helps customers judge its qualities and use it appropriately. The bags and containers are the packaging; the informative stickers attached to them are the labels.

Step 3: Identify and explain promotion **Promotion:** "'Earthy Store' created a user-friendly website and established strong media presence to inform potential customers about their products and persuading them to buy the same." Promotion comprises communicating information about a firm's products and persuading prospective buyers to purchase them. The website and media presence make potential customers aware of the organic offering and communicate its benefits. Thus, the company does more than produce goods: it reaches buyers and encourages demand. The loyal customer base and later contracts are outcomes of its marketing efforts, rather than separate functions requested in the answer.

Step 4: Conclusion The three marketing functions are **branding**, **packaging and labelling**, and **promotion**. The name and logo establish identity; the containers and stickers protect and describe the offering; and the website and media presence inform and persuade customers.

Quick Tip to Solve: In a marketing case, link a name or logo to branding, a container to packaging, product information to labelling, and persuasive communication to promotion. Group packaging and labelling when naming the three functions here.

33. 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 sets objectives and courses of action, giving employees a common direction and helping managers anticipate future conditions.
- Planning has limitations because predetermined courses can become rigid and because the business environment changes. A case can show both the advantages of looking ahead and the disadvantages of being unable to revise a plan.

Step 1: Explain the benefit of providing directions **Planning provides directions:** "He ensured that the goals and objectives of the company are clearly stated so that they act as a guide for deciding what action should be taken and in which direction." Clearly stated goals tell managers and employees what the organisation wants to achieve. Plans guide decisions and actions towards those goals, so different departments can work towards a common purpose. At Stepone Footwear, the objectives guide the company's work rather than leaving each person to decide independently what the business should pursue.

Step 2: Explain the benefit of reducing uncertainty **Planning reduces the risks of uncertainty:** "This analysis enabled the company to look ahead and anticipate changes and develop managerial responses, wherever necessary." Planning involves looking into the future and anticipating changes. By analysing market trends, customer preferences and production schedules, Stepone could prepare responses in advance rather than react without preparation. This reduces the risk of unexpected events affecting the business. It does not eliminate uncertainty or guarantee that every forecast will be correct; it improves preparedness for possible developments.

Step 3: Explain how planning led to rigidity **Planning leads to rigidity:** "The managers of 'Stepone Footwear' did not have the flexibility to change the plan to cope with the changed circumstances." Plans specify goals and methods to be followed within a time frame. If managers follow them too

strictly, they may resist changes even when circumstances call for a different course. Stepone's fixed annual production plan prevented a timely adjustment towards eco-friendly shoes. The limitation is the inflexibility in following the predetermined plan, rather than the mere existence of objectives.

Step 4: Explain the limitation of a dynamic environment **Planning may not work in a dynamic environment:** "By not being able to adjust to the rapidly changing market, 'Stepone Footwear' faced inventory surplus while 'Eco Step' emerged as a market leader in sustainable eco-friendly footwear." Business conditions, including customer tastes and competitive actions, can change rapidly. Plans based on earlier expectations may become unsuitable when those conditions change. The sudden demand for eco-friendly shoes made Stepone's earlier production decisions inappropriate, whereas Eco Step responded to the new demand. Thus, a plan cannot fully predict or control changes in the external environment.

Step 5: Conclusion The two benefits are **providing directions** and **reducing the risks of uncertainty**. The two limitations are that **planning leads to rigidity** and **may not work in a dynamic environment**. The case shows that advance preparation helps, but plans need review when market conditions change.

Quick Tip to Solve: Separate rigidity from a dynamic environment: rigidity concerns inflexible adherence inside the business, whereas a dynamic environment concerns changing conditions outside it.

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

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs. Internal recruitment fills vacancies from employees already working in the organisation, principally through transfers and promotions.
- Promotion moves an employee to a higher position with greater responsibility and usually higher pay; transfer shifts an employee between jobs or departments without a substantial change in status or responsibility. Their benefits must be weighed against the restrictions of recruiting only from within.

Step 1: Explain three merits of internal recruitment **1. Improves employees' motivation:** When higher posts are filled by promotion, employees see a real opportunity to advance within the organisation. The prospect of higher responsibility, status and pay encourages them to improve their performance. It also strengthens their commitment because their effort can lead to a better career in the same organisation.

2. Simplifies selection and placement: The organisation already knows the abilities, experience and work record of its existing employees. It can therefore assess their suitability for a vacancy more reliably than that of an unknown applicant. Familiarity with the organisation also reduces the uncertainty involved in placing the selected employee in the new job.

3. Involves lower recruitment cost: Internal recruitment does not normally require a wide search, extensive advertising or a lengthy process for screening a large number of outsiders. It is therefore cheaper than recruitment through external sources and can fill a vacancy relatively quickly.

Step 2: Explain three demerits of internal recruitment **1. Restricts the entry of fresh talent:** When every vacancy is filled internally, suitable people outside the organisation do not get an opportunity to enter. The organisation may lose the benefit of new ideas, different experiences and specialised abilities that outsiders could bring, particularly when its present employees lack a required skill.

2. May make employees complacent: If employees believe that promotion will come automatically with seniority or service, they may lose the urge to work harder and develop their abilities. An assured expectation of advancement can thus weaken initiative and reduce the incentive to improve performance.

3. May hamper the spirit of competition: Keeping recruitment confined to existing employees denies them the challenge of competing with capable external candidates. The absence of outside competition can reduce the pressure to raise standards and may prevent the organisation from selecting the best person available in the wider labour market.

Step 3: Conclusion Internal recruitment motivates employees, makes selection and placement simpler, and lowers recruitment cost. Its limitations are the restricted entry of fresh talent, possible employee complacency and a weaker spirit of competition. Thus, it offers useful career opportunities while limiting the organisation's choice of candidates.

Quick Tip to Solve: Pair each heading with its effect: promotion motivates, known records simplify selection, and a restricted search saves cost; then explain how the same inward focus limits talent and competition.

OR

34(b). Explain any four non-financial incentives which motivate employees for better performance.

[6 marks]

Solution:

Concept:

- Non-financial incentives are rewards that emphasise psychological, social and emotional satisfaction rather than direct monetary payment. They address needs such as recognition, respect, responsibility, growth and meaningful work.
- Employees differ in their needs, so management should use incentives suited to the person and the situation. The satisfaction gained from a valued position, supportive workplace, advancement or challenging work can encourage better performance.

Step 1: Explain status and organisational climate **1. Status:** Status refers to the rank, authority, responsibility, recognition and prestige associated with an employee's position in the organisation. A designation and the authority attached to it indicate the importance of the position. When employees feel that their position is respected and their contribution matters, their esteem needs are satisfied. This encourages them to accept responsibility and perform their duties well. For example, entrusting an employee with a respected team-leader role can give a sense of importance and achievement.

2. Organisational climate: Organisational climate consists of the characteristics that describe an organisation and distinguish it from others. These include individual autonomy, reward orientation, consideration for employees and willingness to take risks. A supportive climate in which employees

are trusted, treated fairly and allowed appropriate freedom creates a positive attitude towards work. Employees then feel comfortable sharing ideas and taking initiative, which can improve their performance. Thus, the work environment itself becomes a source of motivation.

Step 2: Explain career advancement and job enrichment **3. Career advancement opportunity:** Employees usually wish to grow to higher levels in their careers. Managers can provide opportunities to improve skills, undertake training and qualify for advancement. A sound promotion policy and appropriate skill-development programmes show employees that good performance can lead to future growth. Employees are therefore encouraged to learn, improve their capabilities and work efficiently in order to become suitable for more responsible positions.

4. Job enrichment: Job enrichment means designing jobs to include a greater variety of work, more challenging tasks and greater responsibility. It can give employees greater autonomy, an opportunity for personal growth and direct feedback about their performance. A richer job allows an employee to use a wider range of skills and experience a sense of achievement from completing meaningful work. This reduces the monotony of a narrow routine job and can strengthen interest, commitment and motivation to perform better.

Step 3: Conclusion Four non-financial incentives are status, a favourable organisational climate, career advancement opportunities and job enrichment. They motivate employees by satisfying needs for esteem, a supportive work environment, personal growth and challenging, responsible work, thereby encouraging better performance.

Quick Tip to Solve: Link each incentive to a need: status gives esteem, climate gives support, career advancement gives growth, and enrichment makes the present job more meaningful and challenging.