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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

Questions no. ***1 to 20*** *are Multiple Choice Questions (MCQs), carrying* ***1 mark*** *each.*

1. 'Vishesh Constructions', a construction company, decided to strictly implement 'No Helmet, No Entry' and put the following sign at their construction sites :

Identify the type of plan indicated by the above sign : [1 mark]



(A) Policy

(B) Rule

(C) Method

(D) Programme

Correct Answer: (B) Rule

Solution:

Concept:

- A rule is a standing plan stating precisely what must or must not be done in a particular situation. It allows no discretion or flexibility.
- A policy provides a broad guide to decision-making, whereas a method specifies the prescribed way of performing a task.

Step 1: Identify the compulsory instruction The sign says 'No Helmet, No Entry'. A person without a helmet cannot enter the construction site. The company has decided to 'strictly implement' this requirement, so employees cannot choose whether to comply.

Step 2: Compare the types of plans This is a rule because it gives a specific mandatory instruction. A policy leaves scope for judgement within broad guidelines. A method explains how to do work, and a programme combines objectives, policies, procedures, rules, tasks and resources for a project. Neither describes this single prohibition.

Step 3: Conclusion The sign indicates a rule: wearing a helmet is a compulsory condition for entry. Hence, the correct option is (B).

Quick Tip to Solve: Look for a definite prohibition or compulsory instruction with no discretion; 'No Helmet, No Entry' is a rule.

2. Akash Mehra is the Marketing Manager of 'Kedanta Enterprises'. He gives orders and expects his subordinates to obey those orders. Communication is only one-way with the subordinates only acting according to the command given by him. Identify the leadership style of Akash Mehra : [1 mark]

(A) Authoritative

(B) Participative

(C) Free-rein

(D) Pragmatic

Correct Answer: (A) Authoritative

Solution:

Concept:

- An autocratic or authoritative leader gives orders and expects subordinates to obey. Decision-making authority is concentrated with the leader.
- A democratic or participative leader consults subordinates; a free-rein leader gives them considerable freedom in decision-making.

Step 1: Use the communication pattern Akash 'gives orders and expects his subordinates to obey'. The case also specifies that communication is 'only one-way'. These clues show that he takes decisions and communicates commands downward rather than seeking employee participation.

Step 2: Eliminate the other styles Participative leadership would involve consultation and two-way communication. Free-rein leadership would allow subordinates substantial autonomy, contrary to their only acting on his commands. Pragmatic is not the NCERT leadership style defined by this one-way, order-and-obedience relationship.

Step 3: Conclusion Akash follows an authoritative, also called autocratic, leadership style. Hence, the correct option is (A).

Quick Tip to Solve: Orders, expected obedience and one-way downward communication together identify authoritative leadership.

3. From the following, choose the incorrect statement about the importance of 'Directing' function of management : [1 mark]

(A) Directing helps to initiate action by people in the organization towards attainment of desired objectives.

(B) Directing integrates employees' efforts in the organization in such a way that every individual effort contributes to the organization's performance.

(C) Directing facilitates introduction of needed changes in the organization.

(D) Directing helps in estimating manpower requirements for the organization.

Correct Answer: (D) Directing helps in estimating manpower requirements for the organization.

Solution:

Concept:

- Directing involves instructing, guiding, motivating and leading employees to achieve organisational objectives.
- Estimating manpower requirements belongs to staffing: it identifies the number and type of employees the organisation requires.

Step 1: Check the stated benefits of directing Options (A), (B) and (C) are correct statements about directing. Directing initiates action, integrates individual efforts towards organisational performance, and helps employees accept needed changes through guidance, motivation and communication.

Step 2: Identify the function that estimates manpower Option (D) refers to estimating manpower requirements, which is a step in staffing. Before recruiting or selecting people, staffing determines how many employees are needed and what qualifications they should have. This is not an importance of directing. The question asks for the incorrect statement, so this mismatch is decisive.

Step 3: Conclusion Estimating manpower requirements is associated with staffing, not directing. Hence, the correct option is (D).

Quick Tip to Solve: For an incorrect-statement MCQ, first note the negative demand; manpower estimation signals staffing.

4. _____ is the process of searching for prospective employees and stimulating them to apply for jobs in the organization. [1 mark]

(A) Training

(B) Selection

(C) Development

(D) Recruitment

Correct Answer: (D) Recruitment

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.

- Recruitment creates a pool of applicants; selection subsequently chooses the most suitable candidate from that pool.

Step 1: Recognise the definition The key expressions are 'searching for prospective employees' and 'stimulating them to apply'. They describe attracting candidates to available jobs rather than choosing one candidate or improving an existing employee's abilities.

Step 2: Distinguish the other staffing activities Training improves the knowledge and skills needed for a specific job. Development concerns an employee's overall growth, including preparation for future responsibilities. Selection evaluates applicants and chooses suitable employees. Only recruitment covers the search-and-attract stage described here.

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

Quick Tip to Solve: Remember the sequence: recruitment attracts applicants, selection chooses them, and training improves their job skills.

5. _____ is the process of holding securities in an electronic form. [1 mark]

(A) Rolling Settlement

(B) Registration

(C) Dematerialization

(D) Depository

Correct Answer: (C) Dematerialization

Solution:

Concept:

- Dematerialisation is the process through which securities are converted into and held in electronic form instead of physical certificates.
- A depository is the institution that holds securities electronically and facilitates their transfer through depository participants.

Step 1: Identify the process described The question asks for the process of holding securities in electronic form. Dematerialisation replaces physical security certificates with electronic records in an investor's demat account, making paperless holding and transfer possible.

Step 2: Separate the process from related terms A depository, option (D), is the institution providing electronic custody, not the name of the process. Rolling settlement refers to settling trades within a specified period after the trade date. Registration refers to recording ownership or other relevant details; it does not specifically describe conversion to electronic holdings.

Step 3: Conclusion The process is dematerialisation, printed as Dematerialization in option (C). Hence, the correct option is (C).

Quick Tip to Solve: Distinguish the process from the institution: dematerialisation makes holdings electronic; a depository holds them.

6. Sudha and Shweta were twin sisters. After completing their education from college, they decided to start a business. As they were Commerce students, they knew the importance of deciding in advance 'what to do' and 'how to do'. It was very challenging for them as this decision was to guide all their future actions. While discussing the same with their mother, they got a new idea of starting a 'Cloud Kitchen'. Both the sisters were very excited to start this. The idea took the shape of a concrete plan and within a month, they were successful in starting their 'Cloud Kitchen.'

Identify the point of importance of planning highlighted in the above case : [1 mark]

(A) Planning reduces the risk of uncertainty.

(B) Planning promotes innovative ideas.

(C) Planning establishes standards for controlling.

(D) Planning reduces overlapping and wasteful activities.

Correct Answer: (B) Planning promotes innovative ideas.

Solution:

Concept:

- Planning promotes innovative ideas because deciding future action encourages managers to think creatively and generate alternatives.
- A new idea becomes useful when it is developed into a concrete plan and translated into purposeful action.

Step 1: Identify the case evidence The sisters 'got a new idea of starting a Cloud Kitchen', and the case says that 'the idea took the shape of a concrete plan'. These lines emphasise the emergence and implementation of a new business idea through planning.

Step 2: Distinguish the other benefits Reducing uncertainty involves anticipating future events and preparing responses to risk. Establishing standards concerns benchmarks against which actual performance can be compared. Reducing overlapping and wasteful activities concerns coordination and avoiding duplication. Those benefits are not the emphasis of the cloud-kitchen idea in this case.

Step 3: Conclusion The highlighted importance is that planning promotes innovative ideas. Hence, the correct option is (B).

Quick Tip to Solve: When a case stresses a new idea taking the shape of a concrete plan, connect it to planning promoting innovation.

7. Match the Marketing Management philosophies given in Column I with their main focus given in Column II :

Column I	Column II
1. Production concept	(i) Customers' needs
2. Product concept	(ii) Quality, performance and features of product
3. Marketing concept	(iii) Customers' needs and societal well-being
4. Societal marketing concept	(iv) Quantity of product

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

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

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

Solution:

Concept:

- The production concept stresses product availability and affordability through large-scale production; its main focus here is quantity.
- The product concept stresses quality, performance and features. The marketing concept starts with customer needs, while societal marketing also considers society's long-term well-being.

Step 1: Match the first two philosophies Production concept matches quantity of product, so 1 matches (iv). Product concept matches quality, performance and features of product, so 2 matches (ii). Production orientation therefore differs from product orientation despite the similar names.

Step 2: Match the customer-oriented philosophies and check the codes Marketing concept focuses on customers' needs, giving 3-(i). Societal marketing adds societal well-being to customers' needs, giving 4-(iii). Option (A) incorrectly links production to customer needs and societal marketing to quantity. Option (B) incorrectly links production to quality and product to societal well-being. Option (D) swaps the production and product focuses. Only (C) preserves all four matches.

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

Quick Tip to Solve: Use four focus words: production–quantity, product–quality, marketing–customer, societal marketing–customer and society.

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

Assertion (A) : Decentralization is an optional policy decision.

Reason (R) : It is done at the discretion of the top management.

Alternatives : [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:

- Decentralisation means systematic dispersal of decision-making authority to lower levels, except authority that can be exercised only at the centre.
- Unlike delegation, which a manager needs in order to share work, decentralisation is an optional policy chosen by top management.

Step 1: Evaluate the assertion The assertion is true. An organisation can decide how far decision-making should be dispersed. Decentralisation is therefore an optional policy decision rather than a compulsory requirement for every organisation.

Step 2: Evaluate the reason The reason is also true. The extent of decentralisation is decided at the discretion of top management, after considering the organisation's needs and circumstances.

Step 3: Connect the reason to the assertion Top management's discretion explains why decentralisation is optional: it may adopt the policy or retain greater centralisation. Thus (B) is incorrect because the reason does explain the assertion. Options (C) and (D) are incorrect because neither statement is false.

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

Quick Tip to Solve: For this assertion-reason pair, link the word optional to top management's discretion; then check that the reason explains the assertion, rather than merely being true.

9. Sushant was an able Project Manager at 'Keiro Ltd.' Sushant's Head, Naveen handed over a new project to Sushant. Sushant already had enough work in hand. So, Sushant decided to divide the work assigned to him, among three of his subordinates. He himself kept that part of the work which he himself could perform effectively and got his subordinates to help him with what remained. The project got completed well in time because of this. The concept of management used by Sushant to complete the project was : [1 mark]

(A) Delegation

(B) Decentralization

(C) Accountability

(D) Authority

Correct Answer: (A) Delegation

Solution:

Concept:

- Delegation involves assigning responsibility and granting the necessary authority to a subordinate to carry out specified tasks.
- A manager can share work through delegation while remaining accountable to the superior for its overall completion.

Step 1: Identify the action in the case Sushant decided to 'divide the work assigned to him, among three of his subordinates'. He retained the work he could perform effectively and assigned the remaining tasks to them. This sharing of work with subordinates is delegation.

Step 2: Distinguish the other concepts Decentralisation is a broader policy of systematically dispersing decision-making throughout an organisation, which the case does not describe. Accountability is the obligation to answer for performance; authority is the right to give orders and obtain compliance. Neither alone describes the complete process of assigning the work to subordinates.

Step 3: Conclusion Sushant used delegation to divide the project work and complete it in time. Hence, the correct option is (A).

Quick Tip to Solve: When one manager assigns parts of a task to subordinates, identify delegation; reserve decentralisation for a wider organisational policy.

10. 'Lack of confidence of superior in his subordinates' is one of the barriers of communication. Identify the communication barrier : [1 mark]

(A) Personal barrier

(B) Psychological barrier

(C) Semantic barrier

(D) Organizational barrier

Correct Answer: (A) Personal barrier

Solution:

Concept:

- Personal barriers arise from the attitudes, perceptions and behaviour of the sender or receiver that obstruct communication.
- NCERT classifies a superior's lack of confidence in subordinates as a personal barrier.

Step 1: Apply the textbook classification The phrase 'Lack of confidence of superior in his subordinates' describes the superior's own attitude towards subordinates. Such distrust can prevent the superior from seeking or accepting their advice and suggestions. It is a personal barrier.

Step 2: Eliminate the other categories Psychological barriers include such obstacles as premature evaluation, lack of attention and poor retention. Semantic barriers arise from language, symbols or interpretation. Organisational barriers arise from policies, rules, status or the structure of the organisation. The specific example in the question belongs to the personal category, so (B), (C) and (D) are unsuitable.

Step 3: Conclusion Lack of confidence of a superior in subordinates is a personal barrier to communication. Hence, the correct option is (A).

Quick Tip to Solve: Use the specific NCERT category: a superior's confidence in subordinates concerns personal attitudes, even though it may appear psychological in everyday language.

11. 'A public issue of equity may reduce the management holding in the company and make it vulnerable to takeover. This factor also influences the choice between debt and equity, especially in companies in which the current holding of management is on a lower side.'

The factor affecting choice of capital structure discussed in the above case is : [1 mark]

(A) Flexibility

(B) Cost of debt

(C) Cost of equity

(D) Control

Correct Answer: (D) Control

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company.

- Equity shareholders normally have voting rights; issuing further equity can dilute the existing management's holding and affect its control.

Step 1: Identify the case evidence The case says that a public equity issue 'may reduce the management holding' and make the company 'vulnerable to takeover'. These expressions directly concern who controls the company through share ownership and voting rights.

Step 2: Compare the available factors Debt normally does not carry shareholders' voting rights, whereas issuing equity may weaken the existing management's voting position. Flexibility concerns the ability to adjust financing arrangements in future. Cost of debt concerns borrowing costs, and cost of equity concerns shareholders' required return. The passage discusses none of these costs or flexibility; it stresses control.

Step 3: Conclusion The factor influencing the choice of capital structure is control. Hence, the correct option is (D).

Quick Tip to Solve: In capital-structure cases, words such as dilution of holding, voting rights and takeover point to control rather than financing cost.

12. Statement I : Controlling ensures that activities in an organization are performed as per the plans.
Statement II : Controlling function of a manager is a pervasive function.
Choose the correct option from the options given below : [1 mark]

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

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

(C) Both the Statements are true.

(D) Both the Statements are false.

Correct Answer: (C) Both the Statements are true.

Solution:

Concept:

- Controlling measures actual performance against planned standards, identifies deviations and initiates corrective action.
- Controlling is pervasive because managers at every level and in every department need to check performance.

Step 1: Assess Statement I Statement I is true. The controlling process checks whether organisational activities follow the plans. Comparing actual performance with standards helps detect deviations, and corrective action brings activities back in line with planned objectives.

Step 2: Assess Statement II and select the combination Statement II is also true. Control is required at top, middle and supervisory levels, as well as across departments such as production, finance and marketing. Its scope is not restricted to one level or function. Options (A) and (B) each incorrectly reject one true statement; option (D) incorrectly rejects both.

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

Quick Tip to Solve: Check the statements separately: conformity with plans describes controlling's purpose, while its use at all levels and departments establishes pervasiveness.

13. 'Lens-o' was started as an online eyewear company selling glasses and contact lenses on their website. Recently, it set up a uniquely designed offline store, so that customers can also buy their products from the company showroom.

Which channel of distribution is used by the company : [1 mark]

(A) Zero level channel

(B) One level channel

(C) Two level channel

(D) Three level channel

Correct Answer: (A) Zero level channel

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the consumer.
- The level of a channel counts independent intermediaries between producer and consumer; a direct producer-to-consumer route is a zero-level channel.

Step 1: Trace the route in the case Lens-o sells on 'their website' and also lets customers buy from 'the company showroom'. Both are company-operated routes to the final buyer. Changing from online selling to an additional offline showroom does not itself introduce an intermediary.

Step 2: Count intermediary levels There is no independent retailer, wholesaler or agent between the company and the consumer, so the intermediary count is zero. A one-level channel normally includes a retailer; a two-level channel adds a wholesaler; a three-level channel includes another intermediary such as an agent. None of these intermediary arrangements is stated here, eliminating (B), (C) and (D).

Step 3: Conclusion Lens-o uses a zero-level, or direct, channel of distribution. Hence, the correct option is (A).

Quick Tip to Solve: Count intermediaries, not sales outlets: a company's own website and own showroom can both belong to the same zero-level channel.

14. Sunita opened her travel agency named 'Sunita Travels' in July, 2023. She created separate departments for reservations, hotel bookings, online queries and payment handling. Which organisation structure is used by Sunita : [1 mark]

(A) Functional structure

(B) Divisional structure

(C) Informal structure

(D) Vertical structure

Correct Answer: (A) Functional structure

Solution:

Concept:

- A functional structure groups jobs of a similar nature under departments based on the functions performed.
- A divisional structure groups activities around separate products or other distinct divisions rather than merely grouping similar functions.

Step 1: Recognise the grouping basis Sunita created 'separate departments for reservations, hotel bookings, online queries and payment handling'. These are different functions within her travel agency. Departmentalisation according to work performed indicates a functional structure.

Step 2: Eliminate the other structures A divisional structure would organise separate product or service divisions with their own functions; no such arrangement is stated. An informal structure emerges from personal relationships rather than deliberately created departments. Vertical structure describes a hierarchy of authority, but the case gives no hierarchy as the basis for its classification. Therefore (B), (C) and (D) do not match the stated functional grouping.

Step 3: Conclusion Sunita Travels uses a functional organisational structure. Hence, the correct option is (A).

Quick Tip to Solve: Identify the basis on which departments are created: work such as reservations and payments indicates functions; distinct product divisions would indicate a divisional structure.

15. 'JKSD India Ltd.' recently introduced a new range of 'fresh from kitchen' jams, ketchups, salad dressings and peanut butter, etc. They appointed salespersons to contact prospective customers in leading malls to create awareness about their products and develop product preferences with the aim of making sales.

Which tool of promotion is being used by 'JKSD India Ltd.' to market its products : [1 mark]

(A) Advertising

(B) Personal Selling

(C) Sales Promotion

(D) Public Relations

Correct Answer: (B) Personal Selling

Solution:

Concept:

- Personal selling is a personal form of communication in which a salesperson interacts directly with prospective buyers to persuade them to purchase a product.
- Advertising, sales promotion and public relations are distinct promotion tools; the method of communicating with the buyer determines which tool is involved.

Step 1: Identify the decisive case evidence The company appointed salespersons to 'contact prospective customers in leading malls'. These salespersons explain the new products directly to prospective buyers, create awareness and develop preferences with the aim of making sales. This direct seller-buyer interaction identifies personal selling.

Step 2: Eliminate the other tools Advertising is paid, impersonal communication through a medium, rather than direct contact by salespersons. Sales promotion uses short-term incentives such as discounts, coupons or samples; no such incentive is stated here. Public relations builds favourable relations and public image, whereas this case specifically uses personal sales contact to persuade potential customers.

Step 3: Conclusion The promotion tool used by JKSD India Ltd. is personal selling. Hence, the correct option is (B).

Quick Tip to Solve: Look for who communicates: a salesperson personally approaching a prospective buyer indicates personal selling, even when the meeting takes place in a mall.

16. The selection tests which are used to measure individual's potential for learning new skills are called : [1 mark]

(A) Aptitude Tests

(B) Intelligence Tests

(C) Personality Tests

(D) Interest Tests

Correct Answer: (A) Aptitude Tests

Solution:

Concept:

- Aptitude tests assess an individual's potential for learning new skills and help predict the capacity to develop through training.
- Selection tests measure different attributes; aptitude, intelligence, personality and interest therefore have different purposes.

Step 1: Match the purpose to the test The expression 'potential for learning new skills' refers to a future ability to acquire competence. An aptitude test estimates this capacity, rather than merely checking an already acquired skill or a personal preference. It helps an employer assess whether a candidate is likely to benefit from relevant training.

Step 2: Distinguish the remaining tests Intelligence tests assess intellectual abilities such as reasoning, judgement and memory. Personality tests examine characteristics such as emotional balance, maturity and reactions. Interest tests identify activities in which an individual has an interest. These purposes differ from measuring the potential to learn a new skill, so options (B), (C) and (D) do not fit.

Step 3: Conclusion Tests that measure potential for learning new skills are aptitude tests. Hence, the correct option is (A).

Quick Tip to Solve: Associate aptitude with the ability to learn; associate interest with what a person likes doing. Liking an activity and having the potential to learn it are different.

17. Financial market allocates or directs funds available for investment into the most productive investment opportunity. In doing so, it performs the _____ function. [1 mark]

(A) Creative

(B) Exchange

(C) Allocative

(D) Productive

Correct Answer: (C) Allocative

Solution:

Concept:

- A financial market links savers with investors and channels funds towards productive investment opportunities.

- The allocative function concerns directing scarce funds to the uses in which they can be employed most productively.

Step 1: Recognise the action described The question says that the financial market 'allocates or directs funds available for investment into the most productive investment opportunity'. This is the distribution of available savings among alternative uses. The term that directly names this role is the allocative function.

Step 2: Check the other descriptions Creative is not the name of this financial-market function. Exchange describes a transfer or trading activity but does not specifically identify the selection of the most productive use of investment funds. Productive describes the quality of the investment opportunity; it does not name the market's act of directing funds to that opportunity. Thus only allocative fits the complete statement.

Step 3: Conclusion The financial market performs the allocative function. Hence, the correct option is (C).

Quick Tip to Solve: When a question stresses the destination of savings or their most productive use, identify the allocation of funds rather than merely the exchange of securities.

18. A name, term, symbol, design, or some combination of these, used to identify the products, goods or services of one seller or group of sellers and to differentiate them from those of the competitors is known as : [1 mark]

(A) Brand

(B) Trade Mark

(C) Brand Name

(D) Brand Mark

Correct Answer: (A) Brand

Solution:

Concept:

- A brand is a name, term, symbol, design or a combination of these used to identify a seller's products and distinguish them from competitors' products.
- Brand name and brand mark are components of a brand; a trademark is a brand or part of a brand given legal protection.

Step 1: Identify the comprehensive term The definition covers both verbal identifiers, such as a name or term, and visual identifiers, such as a symbol or design, as well as their combination. The broad term embracing all these possibilities and their identification and differentiation functions is brand.

Step 2: Separate the related terms A brand name is the part that can be spoken, such as words or letters. A brand mark is the recognisable visual part that cannot be spoken, such as a symbol or design. A trademark denotes legal protection and exclusive rights over a brand or part of it. Since the question gives the general definition without restricting it to a verbal part, visual part or legal status, the other three options are too narrow.

Step 3: Conclusion The identifier described is a brand. Hence, the correct option is (A).

Quick Tip to Solve: Use brand for the whole identity, brand name for its spoken part, brand mark for its visual part, and trademark when legal protection is specified.

19. 'Increase in profit earned by equity shareholders due to the presence of fixed financial charges like interest' is referred to as : [1 mark]

(A) Capital structure

(B) Financing decision

(C) Return on Investment

(D) Trading on equity

Correct Answer: (D) Trading on equity

Solution:

Concept:

- Trading on equity means an increase in the profit earned by equity shareholders due to the presence of fixed financial charges such as interest.
- When the return earned using borrowed funds exceeds the cost of debt, the surplus after interest can increase the earnings available to equity shareholders.

Step 1: Identify the effect of fixed charges The statement explicitly refers to an 'increase in profit earned by equity shareholders due to the presence of fixed financial charges like interest'. This describes the favourable use of debt financing to improve equity shareholders' earnings, which NCERT calls trading on equity. The benefit depends on the return being sufficient to exceed the fixed financing cost; debt does not guarantee it in every situation.

Step 2: Reject the broader alternatives Capital structure is the mix of debt and equity financing, rather than the particular increase in equity earnings. A financing decision chooses the sources and proportions of finance. Return on investment measures the return earned on the investment and is relevant to evaluating the use of debt, but is not the name of the effect described. Thus options (A), (B) and (C) do not match the definition.

Step 3: Conclusion The increase in equity shareholders' profits described is trading on equity. Hence, the correct option is (D).

Quick Tip to Solve: Identify trading on equity when the statement connects fixed interest charges with increased equity earnings; capital structure names the financing mix itself.

20. Which of the following is not a feature of marketing : [1 mark]

(A) Needs and wants

(B) Storage and warehousing

(C) Customer value

(D) Creating a market offering

Correct Answer: (B) Storage and warehousing

Solution:

Concept:

- The important features of marketing include needs and wants, creating a market offering, customer value and an exchange mechanism.
- Marketing functions are the activities used to carry out marketing; storage and warehousing is one such function, rather than a defining feature.

Step 1: Apply the negative wording The question asks which option is 'not a feature of marketing'. Storage and warehousing involves keeping goods safe and making them available when required, bridging the time gap between production and consumption. It is an important marketing function, but it is not included among the defining features of marketing.

Step 2: Verify the three actual features Needs and wants are the starting point: marketing identifies what customers require. Creating a market offering means developing a combination of goods, services or other benefits to satisfy those needs. Customer value is the benefit a buyer receives relative to the cost of obtaining the offering. Accordingly options (A), (C) and (D) are features and cannot answer this negative question.

Step 3: Conclusion Storage and warehousing is not a feature of marketing; it is a marketing function. Hence, the correct option is (B).

Quick Tip to Solve: Underline the word not. Then distinguish defining features of marketing from activities such as storage, transport or packaging that help perform marketing.

21. Piyush is the Production Manager of a shoe company called 'Comforty'. He has 1000 workers working 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 20% profit margin. The 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 ₹ 600. He tried to find out the reason, but he couldn't. He reported it to the Chief Executive Officer. The Chief Executive Officer appointed Abhay to find out the cause. Abhay was not only a specialized Cost Accountant, but also a qualified Human Resource Manager. After two days, Abhay reported that the set targets could be completed with the help of only 800 workers, which revealed that there was overmanning in the organization. The organization was not utilizing the human resources optimally, which had led to higher labour cost.

The above case highlights one of the points of importance of an important function of management.

(i) Identify the function of management.

(ii) State any two points of importance of the function of management identified in part (i), except the one discussed in the above case. [3 marks]

Solution:

Concept:

- Controlling is the management function of ensuring that actual activities conform to planned activities. It involves setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.
- The importance illustrated in this case is making efficient use of resources. The question specifically excludes that point from the two additional points required in part (ii).

Step 1: Identify the function from the deviation and its cause **(i) Controlling:** The estimated cost was Rs 500 per pair, whereas the actual cost became Rs 600 per pair. Abhay investigated the deviation and found that "the set targets could be completed with the help of only 800 workers", although 1000 workers were employed. This comparison and investigation identify controlling. The words "not utilizing the human resources optimally" show that the particular importance illustrated is **making efficient use of resources**; do not repeat it as an additional point.

Step 2: State two other points of importance **(ii) Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings deviations to light. Corrective action then guides activities back towards the objectives, keeping the organisation on the right track.

Judging accuracy of standards: A sound control system helps management verify whether its standards are accurate and realistic. It reviews standards in the light of changes in the organisation and its environment, so that performance is assessed against appropriate benchmarks.

Step 3: Conclusion The function is **controlling**. Apart from efficient use of resources, it is important for accomplishing organisational goals and judging the accuracy of standards.

Quick Tip to Solve: In a case asking for other points of importance, first name the point already illustrated and exclude it. Here, overmanning signals inefficient resource use, so choose two different NCERT headings.

22(a). Explain any three points of importance of 'Controlling' function of management. [3 marks]

Solution:

Concept:

- Controlling means ensuring that actual performance conforms to planned performance. Managers compare actual results with standards, investigate significant deviations and take corrective action where necessary.
- A sound control system supports organisational goals, tests the suitability of standards and promotes economical use of resources. Its value lies in improving performance through corrective action, rather than merely recording errors.

Step 1: Explain how control supports goals and standards **1. Accomplishing organisational goals:** Controlling measures progress towards the goals of the organisation and brings deviations to light. Management can take corrective action to guide activities towards the desired results. In this way, control keeps the organisation on the right track instead of allowing departures from objectives to continue unnoticed.

2. Judging accuracy of standards: An efficient control system enables managers to verify whether standards are accurate and realistic. It reviews their relevance in the light of changes taking place in the organisation and the environment. Thus, the benchmarks used for judging performance remain appropriate instead of becoming outdated or misleading.

Step 2: Explain how control improves resource use **3. Making efficient use of resources:** Controlling requires each activity to be performed according to predetermined standards. As performance is checked, managers can detect avoidable waste and take steps to reduce it. This reduces wastage and spoilage and ensures that human, physical and financial resources are used in the most effective and efficient manner possible. Control therefore links the use of inputs with the results the organisation seeks to achieve.

Step 3: Conclusion Three points of importance of controlling are **accomplishing organisational goals**, **judging accuracy of standards** and **making efficient use of resources**. Each helps management improve actual performance in relation to its plans.

Quick Tip to Solve: For each importance heading, explain the control action and its benefit: detecting deviations supports goals, reviewing benchmarks tests standards, and checking activities reduces waste.

OR

22(b). Explain the relationship between 'Planning' and 'Controlling' functions of management with the help of any three points. [3 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and how it is to be done. Controlling evaluates actual performance against planned standards and initiates corrective action.
- Planning and controlling are inseparable functions: planning supplies the standards for control,

while control checks whether plans are being realised and provides information for future planning.

Step 1: Explain their mutual dependence **1. Planning provides the basis for controlling:** Plans set the objectives and standards of performance. These standards are the yardsticks against which actual performance is measured in the control process. Without plans, managers would have no clear benchmark for judging whether performance is satisfactory; hence, controlling is blind without planning.

2. Controlling gives meaning to planning: Merely preparing plans does not ensure their implementation or the achievement of objectives. Control compares results with plans, identifies deviations and brings about corrective action. Without this follow-up, plans would remain unfulfilled intentions. Thus, planning is meaningless without controlling, and the two functions reinforce each other.

Step 2: Explain their connection with past and future performance **3. Both are forward-looking and backward-looking:** Planning looks ahead because it prescribes future action, but it also draws on past experience and the information provided by controlling. Controlling looks back when it assesses completed performance against standards. However, its corrective action aims to improve future performance, and its feedback helps managers formulate better future plans. Therefore, it would be incomplete to describe planning as only forward-looking and controlling as only backward-looking.

Step 3: Conclusion Planning sets standards, controlling ensures their achievement, and feedback from control improves subsequent plans. Their mutual dependence and their links with both past experience and future action make them inseparable functions of management.

Quick Tip to Solve: Remember the sequence: plans provide standards, control checks results, and control feedback improves the next plan. Use this cycle to explain both interdependence and the past-future link.

23(a). State any three 'regulatory functions' of Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) regulates the securities market. Its regulatory functions provide rules and supervision for market institutions and participants.
- Regulatory functions concern registration, control and monitoring. They are distinct from developmental functions such as training intermediaries and from protective measures against unfair practices.

Step 1: State the registration functions Any three regulatory functions may be stated. The following are two such functions:

- **Registration of brokers and other intermediaries:** SEBI registers stockbrokers, sub-brokers and other players in the securities market. Registration brings these intermediaries within its regulatory framework and subjects their market activities to prescribed requirements.
- **Registration of collective investment schemes:** SEBI registers collective investment schemes and mutual funds. These institutions collect investors' funds for investment, so registration enables their operation to be regulated under the securities-market framework.

Step 2: State the takeover regulation function

- **Regulation of company takeovers:** SEBI regulates takeover bids by companies. It lays down requirements governing the acquisition of control so that takeovers take place within the prescribed framework rather than without regulatory supervision.

Each of these is a regulatory function because it directly governs the entry or conduct of securities-market participants; promoting investor education alone would not state the requested category of function.

Step 3: Conclusion Three regulatory functions of SEBI are registering brokers and other market intermediaries, registering collective investment schemes and mutual funds, and regulating takeover bids by companies.

Quick Tip to Solve: For regulatory functions, recall registration and regulation: brokers, collective investment schemes and company takeovers provide three distinct points.

OR

23(b). State any three objectives of Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- SEBI is the statutory regulator of India's securities market. Its objectives describe the purposes for which it regulates the market and its participants.
- An orderly market, protection of investors and prevention of trading malpractices are central objectives. These are broader aims, whereas registration and inspection are functions used to achieve them.

Step 1: State the market and investor objectives Any three objectives may be stated. Two of the objectives are:

- **Regulate the securities market:** SEBI aims to regulate stock exchanges and the securities industry so as to promote their orderly functioning. A framework of rules and supervision helps market institutions operate in a disciplined manner.
- **Protect investors' rights and interests:** SEBI seeks to protect investors, particularly individual investors, and to guide and educate them. Informed investors can understand market dealings and make decisions with better awareness of their rights and the risks involved.

Step 2: State the objective relating to trading practices

- **Prevent trading malpractices:** SEBI aims to prevent malpractices in securities trading while maintaining a balance between self-regulation by the securities industry and statutory regulation. Industry discipline is supported by legal oversight rather than being relied upon without checks.

This objective helps preserve fair dealings and confidence in the market. It is stated as the purpose of regulation, rather than merely as a list of the administrative activities undertaken by the regulator.

Step 3: Conclusion SEBI aims to promote orderly functioning of stock exchanges and the securities

industry, protect investors' rights and interests through protection and education, and prevent trading malpractices while balancing self-regulation with statutory regulation.

Quick Tip to Solve: When asked for objectives, state the intended outcomes: an orderly market, protected investors and fair trading. Keep registration and inspection for questions on functions.

24. After studying Entrepreneurship in Class XII, Neel completed a baking course and started a bakery, 'Cakes and Bakes'. He set a target of earning a modest 10% return on investment in the first year. As he was supplying healthy bakery products, the demand kept increasing. 'Cakes and Bakes' became a famous bakery in a year. He now wanted to develop a plan to define the direction and scope of 'Cakes and Bakes' for the long run. He made a marketing plan to decide if he could charge higher price to improve his return on investment, how to advertise the products, etc.

Quoting lines from the above paragraph, identify and explain two types of plans discussed in the above case. [3 marks]

Solution:

Concept:

- Objectives are the desired future positions or results that management seeks to achieve. They provide the end points towards which organisational activities are directed.
- A strategy is a comprehensive plan for accomplishing organisational objectives. It provides the broad direction and scope of the organisation in the long run, taking account of its business environment.

Step 1: Identify and explain the objective

- **Objective:** The relevant line is: "He set a target of earning a modest 10% return on investment in the first year." This specifies the result Neel wants the bakery to achieve, together with a time period. It is therefore an objective. The desired return gives direction to business decisions and provides a standard against which actual achievement can later be compared.

Step 2: Identify and explain the strategy

- **Strategy:** The relevant line is: "He now wanted to develop a plan to define the direction and scope of 'Cakes and Bakes' for the long run." A strategy is a comprehensive plan covering the determination of long-term objectives, adoption of courses of action and allocation of resources needed to achieve the objectives. It connects the bakery's desired results with the broad approach it will follow in its market.

The further line, "He made a marketing plan to decide if he could charge higher price to improve his return on investment, how to advertise the products, etc.", supports this identification. Pricing and advertising decisions form part of the broad course of action through which the bakery intends to improve its return. The case thus gives both an intended result and the overall approach to achieving it.

Step 3: Conclusion The two types of plans are **objective**, shown by the target of a 10% return in the first year, and **strategy**, shown by the plan defining the bakery's long-term direction and scope and its broad marketing decisions.

Quick Tip to Solve: In a planning case, a measurable desired result signals an objective; a comprehensive plan for long-term direction and the course of action signals a strategy. Quote a separate case line for each.

25. 'Inaya Ltd.' is a multinational technology company focusing on artificial intelligence, online advertising and search engine technology. The company is generating good profits and takes care of the well-being of its staff.

The company offers benefits like car allowance, medical aid and allowance for children's education to all employees above the Manager's level. It regularly contributes towards the Employees' Provident Fund and pays gratuity on retirement to its employees. Under a special incentive scheme, the employees are offered shares of 'Inaya Ltd.' at a set price which is lower than the market price. Each year, the company keeps aside funds to pay one percent of base salary as bonus to its employees. No wonder 90% of the employees would recommend working at 'Inaya Ltd.' to a friend.

Explain four incentives being provided by 'Inaya Ltd.' to motivate their employees for better performance.

[4 marks]

Solution:

Concept:

- In the NCERT chapter Directing, financial incentives are rewards that can be measured in money. They motivate employees by meeting financial needs and improving the economic benefits received from employment.
- In a case-based answer, identify each particular reward and connect it to the words of the case. An incentive may be paid directly in cash or provided as a benefit with a monetary value.

Step 1: Identify the benefits and retirement provisions

- **Perquisites:** Inaya Ltd. offers "car allowance, medical aid and allowance for children's education" to employees above the Manager's level. These are additional benefits provided over and above salary. Such benefits improve employees' standard of living and make their employment package more attractive, encouraging them to perform better and continue with the organisation.
- **Retirement benefits:** The company "regularly contributes towards the Employees' Provident Fund and pays gratuity on retirement". Provident fund and gratuity provide financial security after retirement. By assuring employees that their future financial needs are being considered, these benefits encourage loyalty and commitment during their service.

Step 2: Identify the ownership incentive and bonus

- **Co-partnership or stock option:** Employees are "offered shares of 'Inaya Ltd.' at a set price which is lower than the market price". This gives them an opportunity to become shareholders on favourable terms. A sense of ownership links their interests with the company's success and motivates them to contribute to its growth and profitability.
- **Bonus:** Each year the company sets aside funds to pay "one percent of base salary as bonus". Bonus is an incentive offered over and above wages or salary. This additional monetary reward supplements employees' regular earnings and motivates them to work towards better performance. It is identified here as bonus, rather than profit sharing, because the case describes a payment based on base salary rather than a specified share of profits.

Step 3: Conclusion The four financial incentives provided by Inaya Ltd. are perquisites, retirement benefits, co-partnership or stock option, and bonus. Together they offer present financial benefits,

future security, an ownership interest and an additional cash reward.

Quick Tip to Solve: Match the reward to its form: extra facilities indicate perquisites, provident fund and gratuity indicate retirement benefits, discounted shares indicate stock option, and an extra salary-based payment indicates bonus.

26(a). Explain 'Vestibule Training' and 'Apprenticeship Programme' as methods of training. [4 marks]

Solution:

Concept:

- The NCERT chapter Staffing explains training as a systematic process that develops the knowledge and skills required to perform a particular job. Different methods provide different learning environments and degrees of practical exposure.
- Vestibule training reproduces workplace conditions away from the actual work floor. An apprenticeship programme develops skilled workers through a prescribed period of training under the guidance of a master worker.

Step 1: Explain vestibule training

- **Simulated working environment:** Under vestibule training, employees learn their jobs on the equipment they will use, but the training is conducted away from the actual work floor. A separate training area reproduces the conditions of the real workplace so that trainees can become familiar with the tasks and machinery before undertaking regular production work.
- **Suitability and benefit:** This method is useful when employees have to handle sophisticated machinery and equipment. They can practise operating it and correcting mistakes under guidance without disturbing the normal flow of production. For example, a trainee may learn to operate a complex machine in a separate training workshop before joining the production department. Vestibule training is an off-the-job method because learning takes place outside the actual work floor, despite using similar equipment.

Step 2: Explain the apprenticeship programme

- **Training under an experienced worker:** In an apprenticeship programme, a trainee is placed under the guidance and supervision of a master worker. The trainee learns the skills of a trade by working with that experienced person for a prescribed period. Practical experience enables the learner to understand both how a task is performed and the standards expected in the occupation.
- **Suitability and duration:** The method is used for trades requiring a relatively high level of skill and a longer training period. Electricians, plumbers and iron workers, for example, are commonly trained through apprenticeship. The trainee acquires competence progressively through guided work rather than merely watching a demonstration. It is an on-the-job method, since practical learning occurs while the apprentice participates in the work under supervision.

Step 3: Conclusion Vestibule training teaches job skills in a separate area using equipment and conditions similar to those of the workplace. An apprenticeship programme develops competence in a skilled trade through a prescribed period of practical training under a master worker.

Quick Tip to Solve: Remember the defining setting: vestibule means a separate simulated work area; apprenticeship means learning a skilled trade under a master worker over a prescribed period.

OR

26(b). State any four advantages of internal sources of recruitment. [4 marks]

Solution:

Concept:

- Internal recruitment fills vacancies from the organisation's existing employees, mainly through transfers and promotions.
- Its advantages arise because the employer already knows the employees and employees already know the organisation. It also provides opportunities for career advancement within the enterprise.

Step 1: State the benefits for motivation and selection **1. Improves motivation:** The possibility of promotion to a higher position encourages employees to improve their performance. Employees see a link between good work and career advancement, so internal recruitment promotes commitment and loyalty to the organisation.

2. Simplifies selection and placement: The organisation already has information about its employees' abilities, experience and work performance. It can therefore assess their suitability for the vacant post more reliably, making selection and placement easier than when candidates are completely unknown.

Step 2: State the benefits for induction and recruitment cost **3. Avoids the need for induction:** Existing employees are already familiar with the organisation, its rules, working environment and colleagues. They do not need the introductory orientation that a new entrant normally requires, although training for new duties may still be necessary.

4. Is economical: Recruiting from within avoids much of the expenditure involved in attracting and selecting outsiders, such as advertising vacancies and conducting a lengthy recruitment process. The vacancy can generally be filled with less time and expense.

Step 3: Conclusion Four advantages of internal recruitment are improved employee motivation, simpler selection and placement, no need for fresh induction into the organisation, and lower recruitment cost.

Quick Tip to Solve: Link each advantage to an existing employee: a known performance record helps selection, familiarity saves induction, and promotion prospects motivate effort.

27(a). Explain the following factors affecting the requirements of fixed capital :

(i) Scale of operations

(ii) Financing alternatives [4 marks]

Solution:

Concept:

- Fixed capital refers to funds invested in fixed assets such as land, buildings, plant and machinery. These assets serve the business over a long period rather than being used up in one operating cycle.
- The scale at which a business operates affects the assets it needs, while financing alternatives such as leasing affect how much money it must invest in purchasing those assets.

Step 1: Explain the effect of scale of operations **(i) Scale of operations:** A large-scale enterprise needs a larger production capacity than a small-scale enterprise. It generally requires a bigger plant, more machinery, larger premises and other supporting fixed assets. Consequently, its investment in fixed assets and its fixed capital requirement are higher.

A business operating on a small scale can work with a smaller plant and fewer machines, so it generally requires less fixed capital. Thus, other factors being similar, an increase in the scale of operations increases the requirement of fixed capital.

Step 2: Explain the effect of financing alternatives **(ii) Financing alternatives:** If suitable leasing facilities are available, an enterprise can use assets without purchasing and owning them outright. It pays periodic lease rentals to obtain their use instead of making the entire initial investment in their purchase.

The availability of leasing therefore reduces the funds that the business must commit to acquiring fixed assets and lowers its fixed capital requirement. If the business must purchase the same facilities because such alternatives are unavailable or unsuitable, it needs a larger initial investment and hence more fixed capital. Leasing reduces the purchase investment; it does not remove the continuing obligation to pay rentals.

Step 3: Conclusion A larger scale of operations generally raises fixed capital requirements because more fixed assets are needed. Availability of leasing as a financing alternative generally lowers the funds required for purchasing those assets.

Quick Tip to Solve: Separate the two effects: scale changes how many assets are needed; leasing changes whether the enterprise must invest funds in buying those assets.

OR

27(b). Explain the following factors affecting dividend decision :

(i) Cash flow position

(ii) Growth opportunities [4 marks]

Solution:

Concept:

- A dividend decision determines how much of the profit earned by a company is distributed to shareholders and how much is retained in the business. Retained earnings provide an internal source of finance for future investment.
- Dividend is a cash outflow. Therefore, both the availability of cash and the company's need to retain funds for growth affect the amount that can prudently be distributed.

Step 1: Explain the effect of cash flow position **(i) Cash flow position:** Payment of dividend involves an outflow of cash. A company must have enough cash available to pay a dividend while meeting its other payment obligations. Thus, a sound cash flow position makes it possible to declare and pay a higher dividend. A company with inadequate cash may have to pay a lower dividend, even when it reports substantial profits, because accounting profit does not necessarily mean that an equivalent

amount of cash is immediately available. For example, sales made on credit can increase profit before the cash is collected.

Step 2: Explain the effect of growth opportunities **(ii) Growth opportunities:** A company with good growth opportunities needs funds to finance expansion and other profitable investment projects. It generally retains a larger portion of its earnings to meet these investment requirements and consequently declares a lower dividend. Retaining profit helps finance growth internally. Conversely, a company with fewer profitable growth opportunities requires less retention for expansion and can distribute a higher proportion of its earnings as dividend, subject to other relevant constraints.

Step 3: Conclusion A sound cash flow position supports a higher dividend, whereas inadequate cash restricts payment. Greater growth opportunities generally lead to greater retention of earnings and a lower dividend; fewer growth opportunities permit a higher dividend payout.

Quick Tip to Solve: For cash flow, ask whether cash is available to pay shareholders now. For growth, ask whether the business needs to keep that cash to finance future investment.

28. Distinguish between Primary Market and Secondary Market on any four bases. [4 marks]

Solution:

Concept:

- The primary market deals in new securities issued by companies to raise capital. It is also called the new issue market. The secondary market deals in the purchase and sale of securities that have already been issued.
- Both are parts of the capital market. The primary market supplies fresh funds to companies, while the secondary market gives investors liquidity by enabling them to sell their existing investments.

Step 1: Identify the distinction between new and existing securities A primary-market transaction brings a security into investors' hands through a new issue by its issuer. In a secondary-market transaction, the security already exists and passes from one investor to another. This difference explains who receives the money, how capital is affected and how the trading price is determined.

Step 2: Present four bases of distinction

Basis	Primary Market	Secondary Market
Nature of securities	New securities are issued and sold for the first time. Hence, it is known as the new issue market.	Existing securities, which have already been issued, are purchased and sold.
Parties to the transaction	Securities are sold by the issuing company to investors, either directly or through intermediaries.	Securities are bought and sold between investors; the issuing company does not receive the sale proceeds.
Capital formation	It directly promotes capital formation because the issuing company receives fresh funds that can be used for investment.	It indirectly promotes capital formation by providing liquidity and marketability to existing securities, making investment more attractive.
Determination of price	In a new issue, the price is determined by the company's management, subject to the applicable issue process.	Prices are determined by the forces of demand and supply in the market and may change with trading conditions.

Step 3: Conclusion The primary market raises fresh capital through new securities, whereas the secondary market provides a market for existing securities. They differ in the securities traded, the parties involved, their contribution to capital formation and the way prices are determined.

Quick Tip to Solve: Ask who receives the money: a new issue sends funds to the company; a resale sends funds to the selling investor. Use this distinction to remember the other differences.

29. Ashwin was a fashion designer. On losing his job, he decided to sell the designer clothes online under the brand name 'Kogue'. The garments were made of good quality fabric with intricate designs and skilled craftsmanship, making them expensive to produce. Realizing that the online market is very competitive, he decided to charge a reasonable price for the garments. The price would cover the cost of production and sale of garments as well as give him 10% margin over and above the cost. Identify and explain two factors affecting the price determination discussed in the above case.

[4 marks]

Solution:

Concept:

- Price determination is a marketing decision influenced by the product's cost and the competitive conditions in which it is sold.
- Product cost normally sets the minimum price that a firm must recover over time, while the prices and offers of competing firms constrain what customers will accept.

Step 1: Identify and explain product cost **Product cost:** The case says that the garments use "good quality fabric with intricate designs and skilled craftsmanship, making them expensive to produce." It further states that the price would "cover the cost of production and sale of garments" and provide a 10% margin over cost. These statements identify product cost as a factor in Ashwin's pricing decision. Product cost includes the cost of producing, distributing and selling the product. A business must normally recover its total costs and earn a reasonable profit in the long run. Thus, cost establishes the

minimum level, or floor, below which the price cannot generally remain in the long run. Ashwin is using the cost of his garments as the base and adding a margin; the quality of fabric and skilled work matter here because they raise that cost.

Step 2: Identify and explain the extent of competition **Extent of competition in the market:** The relevant line is "Realizing that the online market is very competitive, he decided to charge a reasonable price for the garments." The presence of rival sellers therefore influences the price he chooses.

A firm must consider competitors' prices, quality and product features when setting its own price. Where competing offerings are readily available, customers can compare them and shift to another seller if the price is excessive relative to the value offered. Consequently, intense competition limits the firm's freedom to charge a high price. Ashwin balances recovery of his relatively high costs with a reasonable price that can attract buyers in the online market; the case does not suggest that he is free to ignore rival sellers.

Step 3: Conclusion The two factors are **product cost** and **extent of competition in the market**. Ashwin covers the cost of producing and selling the garments with a 10% margin, while keeping the price reasonable because the online market is highly competitive.

Quick Tip to Solve: In a pricing case, link references to production expenses and a margin over cost to product cost; link rival sellers and the need for a competitive price to extent of competition.

30. 'VBR Cinema', an Indian multiplex cinema hall was the first to recognize the change in consumption habits of people. It changed its food menu from burgers, pizza, soft drinks, etc. and switched over to healthier options like salads and smoothies, soups and anjeer-based sweets. Within a month, the revenue of the multiplex from sale of food items doubled.

'VBR Cinema', by continuously monitoring the environment and adopting suitable business practices, was able to improve its revenues and profits and was hopeful that it will continue to succeed in the market in the long run too.

Identify and explain one dimension of business environment and one point of importance of understanding the business environment highlighted in the above case.

[4 marks]

Solution:

Concept:

- The social environment comprises social forces such as customs, traditions, values, attitudes and changing tastes and preferences that influence business decisions.
- Understanding the business environment helps in improving performance: firms that monitor their environment and respond appropriately can improve current results and their prospects of long-term success.

Step 1: Identify and explain the social environment **Social environment:** The case states that VBR Cinema was the first to recognize "the change in consumption habits of people" and switched from burgers, pizza and soft drinks to "healthier options like salads and smoothies, soups and anjeer-based sweets." These lines indicate a change in consumers' tastes, preferences and attitudes towards food

and health.

Such changes belong to the social dimension of the business environment. Social preferences shape the kinds of goods and services people demand. A business must remain sensitive to these preferences and modify its offerings accordingly. Here, the cinema changed its food menu to match the preference for healthier food. The trigger described is a change in consumption habits, rather than a new law, a change in government policy or a technological invention.

Step 2: Explain how understanding the environment improves performance **It helps in improving performance:** The case says that "by continuously monitoring the environment and adopting suitable business practices," VBR Cinema improved "its revenues and profits" and expected to succeed "in the long run too." It also reports that, within a month, revenue from food sales doubled.

Firms that monitor their environment and adopt suitable business practices improve their present performance and strengthen their prospects of success over a longer period. Environmental understanding allows business decisions to remain relevant to external conditions. VBR Cinema's menu suited the changing preferences of its customers, so its environmental awareness translated into better sales results. The question's emphasis on increased revenues, profits and continued success directly illustrates the importance of improving performance.

Step 3: Conclusion The dimension is the **social environment**, reflected in changing consumption habits and the preference for healthier food. The point of importance is that understanding the business environment **helps in improving performance**, as shown by the cinema's increased food revenue, improved profits and expectation of long-term success.

Quick Tip to Solve: Use changing tastes or lifestyles to identify the social environment. When a case stresses better revenues, profits and continued success after monitoring the environment, choose improving performance.

31. Nalini has an online flower and gifts retail business. She has eight outlets in four cities of India. From November to February, during the wedding season, the demand shoots up. She coordinates the efforts of her staff in a conscious and deliberate manner and plans for the wedding season demand in the month of June itself. She ensures that there is adequate workforce and continuously monitors whether work is proceeding according to plans. She also briefs the marketing department in time to prepare their promotional and advertising campaigns. Thus, her coordination with all departments of the organization begins at the planning stage and continues till controlling. This acts as a binding force between the departments and ensures that all action is aimed at achieving organizational goals. As a result, Nalini is able to give a common focus to group effort to ensure that the business is performing as planned, year after year.

Quoting lines from the above paragraph, identify and explain four features of an important concept of management highlighted in the above case. [6 marks]

Solution:

Concept:

- Coordination is the process of synchronising the activities of different departments and individuals so that they work together towards the organisation's objectives. It binds the functions of management together.
- The features illustrated here are that coordination is a deliberate function, is a continuous process, integrates group efforts and ensures unity of action. Each feature describes how Nalini brings interdependent activities together.

Step 1: Identify coordination as a deliberate function **Coordination is a deliberate function:** "She coordinates the efforts of her staff in a conscious and deliberate manner and plans for the wedding season demand in the month of June itself." Coordination does not arise automatically merely because employees work in the same business. A manager must consciously synchronise their efforts. Nalini deliberately prepares well before the busy wedding season and arranges related activities so that the staff can meet the expected demand. Her conscious managerial effort, rather than the passage of time alone, brings their work into harmony.

Step 2: Explain coordination as a continuous process **Coordination is a continuous process:** "Thus, her coordination with all departments of the organization begins at the planning stage and continues till controlling." Coordination is an ongoing process rather than a single action completed when a plan is made. It begins with planning and continues through organising, staffing, directing and controlling. Nalini plans for seasonal demand, ensures an adequate workforce, briefs marketing and monitors progress. Linking these successive activities maintains coordination throughout the implementation and review of her plans.

Step 3: Show how coordination integrates group efforts **Coordination integrates group efforts:** "As a result, Nalini is able to give a common focus to group effort to ensure that the business is performing as planned, year after year." Employees and departments perform different tasks and may have different priorities. Coordination unifies their otherwise separate efforts into purposeful activity by giving them a common focus. Nalini connects workforce arrangements, retail operations and promotional preparation so that the combined effort supports the planned seasonal business performance.

Step 4: Explain how coordination ensures unity of action **Coordination ensures unity of action:** "This acts as a binding force between the departments and ensures that all action is aimed at achieving organizational goals." Coordination acts as a binding force between departments. It enables different activities to contribute to the same organisational objectives instead of pulling in conflicting directions. Nalini links staffing and marketing preparations with the wedding-season plan, ensuring that departmental actions support one another and the goals of the business.

Step 5: Conclusion The concept is **coordination**. Its four features highlighted in Nalini's business are deliberate effort, continuity, integration of group efforts and unity of action. Together they align the work of different departments with the organisation's goals.

Quick Tip to Solve: Match each case clue with its precise feature: "conscious and deliberate" indicates deliberate coordination; "planning ... controlling" shows continuity; "common focus to group effort" shows integration; and "binding force" indicates unity of action.

32(a). Explain the following principles of Scientific Management :

(i) Science, Not Rule of Thumb

(ii) Harmony, Not Discord

(iii) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity [6 marks]

Solution:

Concept:

- F.W. Taylor's scientific management replaces unplanned traditional practices with systematic investigation. Its principles aim at greater efficiency and prosperity through a scientific approach to work and cooperation between management and workers.
- Scientific methods, harmonious industrial relations and the development of every employee reinforce one another: sound methods improve work, cooperation supports their adoption and training enables workers to use them effectively.

Step 1: Explain Science, Not Rule of Thumb **Science, Not Rule of Thumb:** Rule of thumb means relying on personal judgement, experience and traditional practices without scientific investigation. Such methods can differ from one manager to another and need not provide the most efficient way of doing a job. Taylor advocated developing a scientific method for each element of work through study and analysis.

Management should investigate traditional methods, analyse the task and select the best method instead of accepting a convenient customary practice. The best method is developed scientifically and standardised so that it can be taught and followed consistently. For example, a task can be broken into elements and the methods of performing them examined to avoid wasteful effort. Replacing arbitrary methods with scientifically established procedures improves efficiency and productivity while reducing unnecessary costs.

Step 2: Explain Harmony, Not Discord **Harmony, Not Discord:** Taylor recognised that conflict between workers and management harms both sides and reduces productivity. Both should recognise that their interests are interdependent: the prosperity of the employer cannot be sustained without the prosperity of employees, and employees also depend on the success of the enterprise.

This requires a **mental revolution**, or a complete change in the attitudes of management and workers towards one another. Management should share gains from increased productivity with workers and provide fair treatment and suitable working conditions. Workers should cooperate with management and contribute to higher productivity rather than obstructing work through avoidable conflict. Both sides should focus on increasing the common surplus instead of quarrelling only over its division. Mutual trust and shared prosperity replace suspicion and discord.

Step 3: Explain development of every person **Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity:** Industrial efficiency depends on the competence of the workers who perform the tasks. Every person should therefore be scientifically selected for a job that suits their physical, mental and intellectual capabilities rather than being assigned work arbitrarily.

After selection, the employee should receive the education, instruction and training required to perform the job according to the best method. Management must develop each person's skills and abilities and help overcome deficiencies instead of expecting an untrained worker to discover the method unaided. Matching the right person with the right work and providing systematic training

enables the employee to achieve higher efficiency. Increased productivity benefits the enterprise, while greater competence and earning opportunities promote the worker's prosperity. Development is thus beneficial to both employees and management.

Step 4: Conclusion Taylor's three principles call for scientifically determined work methods, harmony based on a mental revolution, and scientific selection and training of every employee. They seek higher efficiency together with the prosperity of both workers and the enterprise.

Quick Tip to Solve: For these principles, organise the explanation around three links: scientific study replaces tradition; a mental revolution replaces conflict; and selection plus training develops each worker's full ability.

OR

32(b). Explain the following points of significance of principles of management :

(i) Providing managers with useful insights into reality

(ii) Scientific decisions

(iii) Fulfilling social responsibility [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They arise from observation, experience and experimentation, and help managers understand situations more systematically.
- Their significance includes learning from established managerial knowledge, choosing decisions on a reasoned basis, and meeting an organisation's responsibilities towards society. Their application must take account of the particular situation.

Step 1: Explain useful insights into reality **(i) Providing managers with useful insights into reality:** Principles improve managers' knowledge, ability and understanding of managerial situations. They explain relationships between actions and their likely results, so a manager can learn from the experience of others rather than rediscover everything through personal trial and error. For example, the principle of division of work helps a manager understand how assigning specialised tasks can improve proficiency and efficiency. Such insights help managers judge situations intelligently and use resources more effectively. The principles guide the manager's judgement; they must be adapted to the actual circumstances rather than applied mechanically.

Step 2: Explain the basis of scientific decisions **(ii) Scientific decisions:** Management principles encourage thoughtful, balanced decisions supported by facts, logic and an assessment of alternatives. Decisions are therefore based on objective analysis rather than on blind faith, personal prejudice or a rule-of-thumb guess. A manager can identify the relevant principle, examine the available information and estimate the consequences before selecting a course of action. For instance, an equitable remuneration policy should consider the nature of work and the interests of both employees and the organisation. This reasoned approach makes decisions more defensible and reduces the scope for arbitrary treatment.

Step 3: Explain responsibility towards society **(iii) Fulfilling social responsibility:** An organisation operates within society and is expected to respond to the interests of its stakeholders, alongside pursuing its own objectives. Principles help managers recognise these expectations and incorporate ethical conduct into decisions. For example, equity encourages fair treatment of employees, while fair remuneration supports an acceptable standard of living for workers. Managers should similarly consider consumers' interests and the wider effects of business activities. Applying principles with this awareness helps the enterprise meet its obligations, earn public confidence and maintain a healthy relationship with society.

Step 4: Conclusion Principles of management provide practical understanding, promote decisions based on evidence and reasoning, and guide socially responsible conduct. Together, these benefits improve the quality of managerial action while balancing organisational objectives with the interests of people affected by the organisation.

Quick Tip to Solve: Keep the three explanations distinct: insights concern learning and understanding; scientific decisions concern the basis of a choice; social responsibility concerns obligations towards stakeholders and society.

33(a). Differentiate between 'Formal Organization' and 'Informal Organization' on any six bases.

[6 marks]

Solution:

Concept:

- Formal organisation is the structure of authority and responsibility deliberately created by management to accomplish organisational objectives. It specifies jobs, reporting relationships and official communication channels.
- Informal organisation is the network of social relationships that develops spontaneously through interaction among people at work. It grows alongside the formal structure and satisfies social and personal needs.

Step 1: Establish the basis of comparison Formal and informal organisation refer to two different sets of relationships within the same enterprise. The formal arrangement describes the official roles people occupy, whereas the informal arrangement describes the social connections they develop. Compare them on the same basis in each row; a description of only one form does not establish a distinction.

Step 2: Differentiate on six bases

Basis	Formal organisation	Informal organisation
1. Origin	It is deliberately created by management through the organising process. Jobs, authority and reporting relationships are assigned consciously.	It emerges spontaneously from interaction among employees. Management does not officially design the friendships and social groups that form.
2. Nature	Relationships are official and arise from assigned duties and positions. An employee relates to another as a superior, subordinate or colleague.	Relationships are personal and social, arising from friendship, shared interests, feelings and mutual affinity.
3. Structure	It has a clearly defined and relatively stable structure, with specified authority, responsibility and a chain of command.	It has no clearly prescribed structure. Relationships and group membership may change as people's interests and interactions change.
4. Leadership	Managers are formally appointed to leadership positions. Their right to direct others is attached to the official position they hold.	Leaders emerge from the group and are accepted because of personal influence, ability or the confidence of other members.
5. Communication	Information follows the officially prescribed channels and reporting relationships in the scalar chain.	Information flows through social contacts and the grapevine, without necessarily following official reporting relationships.
6. Behaviour	Employee behaviour is guided by organisational rules, policies and prescribed standards intended to achieve organisational objectives.	Members' behaviour is guided by the group's norms, values, expectations and social acceptance.

Step 3: Conclusion Formal organisation provides the planned framework for performing work, while informal organisation represents the social network that develops within it. Their origin, nature, structure, leadership, communication and behavioural standards differ, although both coexist in the same organisation and influence how people work together.

Quick Tip to Solve: Use a three-column table headed Basis, Formal organisation and Informal organisation. For each row, contrast the same feature on both sides, such as appointment versus emergence for leadership.

OR

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

Solution:

Concept:

- Planning, a function of management, means deciding in advance what to do and how to do it. It bridges the gap between the present position and the desired future position.
- NCERT explains its importance through its contribution to direction, dealing with uncertainty,

efficient operations and managerial control. The following are four distinct points.

Step 1: Explain direction and reduction of uncertainty **1. Planning provides directions:** By stating objectives in advance, planning specifies what the organisation must achieve. Employees know what they have to do, and departments coordinate their activities towards common goals. Clear plans prevent different units from working at cross-purposes and guide decisions at every level.

2. Planning reduces the risks of uncertainty: Planning requires managers to look ahead, anticipate changes and consider their likely effects. They develop suitable responses before difficulties arise. Although planning cannot eliminate uncertainty or predict every event, it helps managers prepare for future conditions instead of reacting without preparation.

Step 2: Explain efficient operations and control **3. Planning reduces overlapping and wasteful activities:** Plans coordinate the efforts of different departments and individuals. They clarify responsibilities and the sequence of work, reducing duplication, confusion and unnecessary actions. Managers can identify activities that do not contribute to objectives and correct them, making better use of available resources.

4. Planning establishes standards for controlling: A plan states the objectives and expected results against which actual performance is measured. Managers compare actual results with these standards, identify deviations and take corrective action. Without planned standards, they would lack a clear basis for judging whether performance is satisfactory.

Step 3: Conclusion Planning is important because it provides direction, reduces the risks of uncertainty, reduces overlapping and wasteful activities, and establishes standards for controlling. Together these contributions help the organisation pursue its objectives systematically.

Quick Tip to Solve: Give four separate NCERT headings and explain the benefit under each. For the control point, connect the planned standard to comparison with actual performance.

34. Ashish wanted to purchase one LCD TV for his home. He decided to go to various stores selling electronic items to check the available varieties of different brands. One of his friends took him to a manufacturer selling LCD TV at almost half the price. The manufacturer described its various features and insisted that Ashish buys the LCD TV from him. Seeing the features, Ashish decided to buy the TV from him, even when the TV was not having any standardisation mark on it. When Ashish asked for the cash memo, the manufacturer discouraged him, saying that it will attract additional tax. He further told Ashish not to worry and promised that if there would be any problem with the TV, he would replace it immediately. The TV started malfunctioning within a month and Ashish asked for its replacement. The manufacturer refused to replace the LCD TV, telling him that the problem is due to mishandling of the TV. Ashish decided to file a complaint in the Consumer Court against the manufacturer.

(i) Identify and explain two consumer rights discussed in the above case.

(ii) State two consumer responsibilities that Ashish did not fulfil while buying the LCD TV. [6 marks]

Solution:

Concept:

- Consumer Protection includes the right to choose from a variety of products and the right to seek redressal against unfair trade practices or unsatisfactory goods and services.
- Consumers must also buy standardised goods and obtain a cash memo as proof of purchase. Rights and responsibilities complement each other.

Step 1: Identify and explain the two consumer rights **(i) Right to choose:** A consumer has the right to choose from a variety of products at competitive prices. The seller should offer alternatives so that the consumer can select a suitable product freely. Ashish decided to visit "various stores selling electronic items to check the available varieties of different brands". This expresses his wish to compare alternatives and exercise his choice.

Right to seek redressal: A consumer has the right to seek relief against unfair trade practices and exploitation. When goods do not meet the promised standards, appropriate relief may include replacement, refund or compensation. After the manufacturer refused replacement, "Ashish decided to file a complaint in the Consumer Court against the manufacturer". His decision illustrates seeking redressal; the competent forum determines the appropriate relief on the evidence.

Step 2: State the two responsibilities Ashish did not fulfil **(ii) Buy standardised goods:** Consumers should buy standardised products because the appropriate quality-certification mark provides assurance of quality; for electrical goods they should look for the ISI mark. Ashish bought the TV "even when the TV was not having any standardisation mark on it", neglecting this responsibility.

Ask for and obtain a cash memo: Consumers should insist on a cash memo as evidence of purchase, needed when seeking redressal. Although Ashish initially asked for it, he accepted the manufacturer's discouragement and oral promise instead of obtaining it. He should have insisted on the bill rather than relying only on the assurance of replacement.

Step 3: Conclusion The rights illustrated are the right to choose and the right to seek redressal. The neglected responsibilities are purchasing standardised goods and insisting on a cash memo as proof of purchase.

Quick Tip to Solve: Link "varieties of different brands" to choice and "file a complaint" to redressal. For responsibilities, identify the absent quality mark and missing bill separately.