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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

1. 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 throughout the organisation.
- Unlike the delegation needed in every organisation, decentralisation is a policy choice made by top management.

Step 1: Evaluate the assertion Assertion (A) is true. Management may choose how extensively authority is dispersed to lower levels; decentralisation is therefore an optional policy decision rather than a compulsory arrangement.

Step 2: Evaluate the reason Reason (R) is true: decentralisation is undertaken at the discretion of top management. This discretion directly explains why the policy is optional.

Step 3: Connect the statements Since management decides whether and to what extent to decentralise, R correctly explains A. Option (B) wrongly denies that link; (C) wrongly makes R false, and (D) wrongly makes A false.

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

Quick Tip to Solve: Contrast delegation, which is necessary for functioning, with decentralisation, which top management chooses as policy.

2. '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, interests and perceptions of the superior or subordinate.
- A superior who distrusts subordinates may withhold advice, information or opportunities for communication.

Step 1: Identify the source of the obstacle The words 'lack of confidence of superior in his subordinates' locate the obstacle in the superior's personal attitude towards employees. The superior may not seek their suggestions or communicate freely with them.

Step 2: Eliminate the alternatives This is a personal barrier. Psychological barriers include distrust associated with the mental state of the communicating parties, premature evaluation and poor retention; the named NCERT example here is specifically a personal barrier. Semantic barriers concern meaning and language, while organisational barriers arise from policies, status or structure.

Step 3: Conclusion The barrier is a personal barrier. Hence, the correct option is (A).

Quick Tip to Solve: When the question names the superior's lack of confidence in subordinates, match it to the NCERT personal-barrier example.

3. _____ 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 converts physical securities into electronic records held in a demat account.
- A depository is the institution that holds securities electronically; dematerialisation names the process.

Step 1: Identify what the blank asks The question asks for a process of holding securities in electronic form. Dematerialisation removes the need to hold and transfer paper share certificates and enables securities to be maintained electronically.

Step 2: Distinguish the other terms Rolling settlement concerns the settlement of trades over a specified cycle, not conversion to electronic holdings. Registration records an ownership or other entry. A depository is the organisation providing electronic custody, whereas the process named in the question is dematerialisation.

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

Quick Tip to Solve: Separate the process, dematerialisation, from the institution providing electronic custody, the depository.

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4. '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 direct or zero level channel connects the producer directly with the consumer.
- The number of channel levels depends on independent intermediaries, not on the number of selling locations or modes.

Step 1: Trace the path to the buyer The case says customers can buy through 'their website' and 'from the company showroom'. Both are the company's own outlets, so Lens-o sells directly to the final consumer without an intermediary.

Step 2: Count the intermediary levels There are no independent intermediaries between the company and its customers, so this is a zero level channel. A one level channel uses one intermediary, usually a retailer; two levels normally involve wholesaler and retailer; three levels add another intermediary such as an agent. The offline store does not itself add an intermediary level.

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

Quick Tip to Solve: Count intermediaries, not online and offline formats: a company-owned showroom remains direct distribution.

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5. 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 authoritative or autocratic leader gives orders and expects subordinates to obey.
- Participative leadership involves employees in decisions, while free-rein leadership gives them substantial freedom to act.

Step 1: Match the case to the style Akash 'gives orders and expects his subordinates to obey those orders'. The case also specifies 'Communication is only one-way'. These are characteristic features of authoritative leadership, with authority and decisions concentrated in the leader.

Step 2: Rule out the other styles Participative leadership involves consultation and two-way exchange, which the case excludes. Free-rein leadership lets subordinates decide and perform with considerable independence, unlike obedience to commands. Pragmatic is not the appropriate NCERT leadership-style category for this described pattern.

Step 3: Conclusion Akash Mehra follows the authoritative leadership style. Hence, the correct option is (A).

Quick Tip to Solve: One-way commands plus expected obedience point to authoritative leadership; consultation points to participative leadership.

6. 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 measure the potential of an individual to learn new skills.
- Different selection tests assess distinct attributes, so the purpose stated in the question determines the test.

Step 1: Identify the ability being measured The decisive expression is 'potential for learning new skills'. An aptitude test estimates a candidate's capacity to acquire skills through training and thereby indicates the likely development of that candidate.

Step 2: Distinguish the alternatives Intelligence tests assess mental abilities such as memory, reasoning and judgement rather than the specifically named learning potential. Personality tests assess traits, emotions and reactions. Interest tests assess activities or occupations a person prefers. The question concerns capacity to learn, not general intelligence, personality traits or preferences.

Step 3: Conclusion The tests are aptitude tests. Hence, the correct option is (A).

Quick Tip to Solve: Use the keyword potential for learning to identify aptitude; use preference to identify an interest test.

7. **'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 refers to increasing earnings available to equity shareholders through the use of fixed financial charges such as interest.
- Borrowed funds benefit equity shareholders when the return earned on those funds exceeds their fixed cost.

Step 1: Identify the effect described The question explicitly describes an 'increase in profit earned by equity shareholders' due to fixed financial charges. This is the favourable effect of using debt: after the fixed interest is paid, the remaining earnings accrue to equity shareholders.

Step 2: Separate the related terms Capital structure is the mix of debt and equity, rather than this increase in shareholders' earnings. The financing decision chooses sources of finance. Return on investment measures the return earned on invested capital. Trading on equity specifically names the use of fixed-charge funds to enhance earnings for equity shareholders; it is beneficial only under favourable return and borrowing-cost conditions.

Step 3: Conclusion The effect is trading on equity. Hence, the correct option is (D).

Quick Tip to Solve: Look for fixed interest combined with higher equity earnings: the named effect is trading on equity, not merely the debt-equity mix.

8. '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 personal communication with prospective buyers to persuade them to purchase a product.
- It allows direct interaction, explanation and immediate feedback from potential customers.

Step 1: Identify the contact used The company appointed salespersons to 'contact prospective customers in leading malls'. This is direct personal contact with buyers rather than an impersonal message. The salespersons explain the products, create awareness and develop product preferences with the aim of making sales.

Step 2: Distinguish the other tools Advertising is a paid, impersonal presentation through media. Sales promotion provides short-term incentives such as discounts, samples or coupons; no such incentive is stated here. Public relations builds favourable relations and a public image. The decisive feature here is salespersons communicating personally with prospective customers.

Step 3: Conclusion JKSD India Ltd. is using personal selling. Hence, the correct option is (B).

Quick Tip to Solve: When a salesperson directly contacts a buyer to explain and persuade, identify personal selling, even if awareness is also created.

9. '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 specifies exactly what must or must not be done in a given situation.
- Rules leave no discretion and are followed strictly, unlike broad policies which guide decisions.

Step 1: Read the compulsory direction The sign states 'No Helmet, No Entry'. Together with the company's decision to 'strictly implement' it, this means that nobody may enter the construction site without a helmet. It permits no choice about compliance and specifies the exact action required.

Step 2: Eliminate the other plans A policy provides a broad guideline for decision-making and leaves scope for interpretation. A method prescribes how a particular task is performed. A programme combines objectives, policies, procedures, rules and resources for a project. The sign itself is only a mandatory direction, so it is a rule.

Step 3: Conclusion The plan indicated by the sign is a rule. Hence, the correct option is (B).

Quick Tip to Solve: Look for the absence of discretion: a compulsory instruction such as wearing a helmet is a rule rather than a broad policy.

10. _____ 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 means searching for prospective employees and stimulating them to apply for jobs in an organisation.
- It creates a pool of applicants from which the organisation can subsequently select suitable employees.

Step 1: Match the definition The words searching for prospective employees refer to locating potential candidates. Stimulating them to apply means attracting them to seek employment. Both activities belong to recruitment, which precedes selection in the staffing process.

Step 2: Separate the related activities Selection chooses the most suitable applicants from the pool already attracted, so it is not the search described here. Training improves the knowledge and skills needed for a particular job. Development concerns broader growth and the capacity to handle future responsibilities. Neither training nor development attracts applicants for vacancies.

Step 3: Conclusion Recruitment completes the statement. Hence, the correct option is (D).

Quick Tip to Solve: Distinguish attracting candidates from choosing candidates: attraction is recruitment, while choosing among applicants is selection.

11. 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 features of marketing include needs and wants, creation of a market offering, customer value and an exchange mechanism.
- Storage and warehousing is a marketing function which helps maintain goods until they are required.

Step 1: Recall the meaning of a feature A feature describes the essential nature of marketing.

Marketing begins with needs and wants, creates a suitable offering and aims to deliver customer value through exchange. Thus options (A), (C) and (D) each describe a recognised feature of marketing.

Step 2: Identify the activity instead Storage and warehousing is an activity undertaken to bridge the time gap between production and consumption. It protects goods and ensures availability when buyers require them. It is therefore a function performed in marketing, rather than one of its defining features. Since the question asks which is not a feature, this distinction decides the answer.

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

Quick Tip to Solve: For a negative question, separate defining features from operational functions; warehousing is something marketers do.

12. 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 savings into productive uses.
- Its allocative function directs available funds towards the most productive investment opportunities.

Step 1: Locate the defining clue The statement says the financial market 'allocates or directs funds available for investment into the most productive investment opportunity'. Allocation means deciding where scarce funds should be employed. This wording directly describes the allocative function.

Step 2: Reject the distractors Creative and productive are not the name of the function which directs investment funds. Exchange describes a transaction between parties, whereas the statement specifically concerns the destination and productive use of funds. The financial market enables funds to flow from surplus units to suitable investment opportunities, improving their utilisation.

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

Quick Tip to Solve: When the wording focuses on where savings are invested and their most productive use, select the allocative function.

13. '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 in the long-term finance of a company.
- Equity carries voting rights, so issuing additional equity can dilute existing shareholders' control; debt ordinarily does not carry such voting rights.

Step 1: Identify the concern in the case The statement says an equity issue may 'reduce the management holding' and make the company 'vulnerable to takeover'. The concern is the voting power of the existing management group. New equity shareholders can reduce its proportionate holding, especially when that holding is already low.

Step 2: Distinguish the other factors Flexibility concerns the ability to adjust or raise finance in the future. Cost of debt concerns interest and the tax advantage of borrowing. Cost of equity concerns the return expected by equity investors. None of these expresses the stated fear of losing voting power or a takeover. That fear relates specifically to control.

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

Quick Tip to Solve: References to dilution of shareholding, voting power or takeover point to control as a capital-structure factor.

14. 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 guides, instructs, motivates and leads employees to achieve organisational objectives.
- Estimating manpower requirements is an activity in the staffing process, which determines the number and types of employees needed.

Step 1: Verify the statements about directing Directing initiates action by employees, so statement (A) correctly describes its importance. It integrates individual efforts towards organisational objectives, making (B) correct. By explaining and motivating people to accept new methods, directing also facilitates needed changes, so (C) is correct.

Step 2: Identify the function named incorrectly Estimating manpower requirements involves assessing workload and the workforce required, including the number and qualifications of employees. This is the first step of staffing, rather than the importance of directing. Statement (D) therefore attributes a staffing activity to the wrong function. The question asks for the incorrect statement, so it must be selected.

Step 3: Conclusion The incorrect statement is that directing helps in estimating manpower requirements. Hence, the correct option is (D).

Quick Tip to Solve: In questions on directing, distinguish getting employees to act from determining how many employees are required; the latter belongs to staffing.

15. 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 managers consider different ways of achieving an objective before acting.
- Planning is deciding in advance what to do and how to do it; the creative thinking involved can produce a new business idea.

Step 1: Identify the decisive case evidence The sisters got a "new idea of starting a 'Cloud Kitchen' ". The statement that "The idea took the shape of a concrete plan" connects their creative idea directly with planning. The emphasis is on developing and implementing an innovative way of doing business.

Step 2: Eliminate the other points of importance Reducing uncertainty concerns anticipating future events and their effects, which is not the emphasis here. Establishing controlling standards concerns benchmarks against which actual performance is measured. Reducing overlapping and wasteful activities concerns coordinating work to avoid duplication. None of these describes the new business idea highlighted in the case.

Step 3: Conclusion Planning promotes innovative ideas. Hence, the correct option is (B).

Quick Tip to Solve: For an importance-of-planning case, locate the specific result: a new idea points to innovation; performance comparison points to controlling standards.

16. 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, sign, symbol, design or combination used to identify a seller's products and distinguish them from competitors.
- A brand name and a brand mark are parts of a brand; a trade mark is a brand or part of a brand given legal protection.

Step 1: Match the complete definition The question includes a name, term, symbol, design and their combination, together with identification and differentiation. This is the broad definition of a brand. It is not restricted to either the spoken or the visual part.

Step 2: Distinguish the narrower alternatives A brand name is the part that can be spoken, such as a product name. A brand mark is the part that can be recognised visually but cannot be uttered, such as a symbol or design. A trade mark requires legal protection and gives the seller an exclusive right to use the protected element. The question does not specify such protection, so these narrower terms do not fit the entire definition.

Step 3: Conclusion The term is 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 trade mark for legal protection.

17. 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 similar activities into separate departments on the basis of the functions performed.
- A divisional structure groups activities around different products or product lines, with functions organised within each division.

Step 1: Identify the basis of departmentalisation Sunita created "separate departments for reservations, hotel bookings, online queries and payment handling". These are different activities needed to run the same travel agency. Grouping work by these functions indicates a functional structure.

Step 2: Compare the remaining options There are no independent product divisions, so a divisional structure is unsuitable. The departments were deliberately created, whereas an informal structure develops spontaneously from social interactions. Vertical structure refers to hierarchical levels and reporting relationships; it does not identify the functional basis used to create the departments in this case.

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

Quick Tip to Solve: Ask what each department is named after: activities or functions indicate functional structure; separate products indicate divisional structure.

18. 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 compares actual performance with planned standards, identifies deviations and leads to corrective action.
- Controlling is pervasive: managers at every level and in every type of organisation need to check the work for which they are responsible.

Step 1: Evaluate Statement I Statement I is true. Plans specify what should be achieved. By measuring actual results, comparing them with the standards and correcting significant deviations, controlling helps ensure that activities are performed as planned.

Step 2: Evaluate Statement II and select the combination Statement II is also true. Controlling is not confined to top management or to a particular department; middle and supervisory managers also exercise control over their responsibilities. Thus the option declaring both statements true fits. Options (A) and (B) each wrongly reject one true statement, while option (D) wrongly rejects both.

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

Quick Tip to Solve: For two-statement questions, judge each statement separately before reading the combinations; pervasive means required at all managerial levels.

19. 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 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 is the transfer of authority from a superior to a subordinate to carry out assigned work, while the superior remains accountable for the outcome.
- Delegation allows a manager to retain work best performed personally and obtain help from subordinates for the remaining tasks.

Step 1: Connect the case with delegation Sushant decided to "divide the work assigned to him, among three of his subordinates" and "got his subordinates to help him with what remained". He retained the part he could perform effectively. This is a superior allocating work to subordinates to complete his assigned project.

Step 2: Distinguish the other concepts Decentralisation is the systematic dispersal of decision-making authority throughout the organisation, a wider organisational policy not established by this individual project. Accountability is the obligation to answer for results, rather than the process of assigning work. Authority is the right to give orders and take decisions, an element involved in delegation rather than the name of the whole process shown here.

Step 3: Conclusion The management concept is delegation. Hence, the correct option is (A).

Quick Tip to Solve: One manager sharing assigned work with subordinates indicates delegation; organisation-wide dispersal of decision-making power indicates decentralisation.

20. 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 emphasises large-scale production and availability; the product concept emphasises quality, performance and features.
- The marketing concept starts with customer needs; societal marketing combines customer satisfaction with long-term societal well-being.

Step 1: Match production and product orientations Production concept focuses on quantity of product, giving 1–(iv). Product concept focuses on quality, performance and features of product, giving 2–(ii). Producing more concerns availability, whereas improving the product concerns its attributes.

Step 2: Match customer and societal orientations Marketing concept focuses on customers' needs, giving 3–(i). Societal marketing adds societal well-being to the satisfaction of those needs, giving 4–(iii). Option (A) wrongly assigns customer needs to production. Options (B) and (D) wrongly assign quality to production; both also mismatch the product concept. Only option (C) contains all four correct pairs.

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: Remember the sequence: production–quantity, product–quality, marketing–customer, societal marketing–customer plus society.

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

Solution:

Concept:

- SEBI regulates the securities market so that stock exchanges and market intermediaries operate within an organised framework of rules.
- Regulatory functions concern registration, rules and supervision of market participants; they are distinct from investor education and training.

Step 1: State the registration and regulatory functions

- **Registration of intermediaries:** SEBI registers brokers, sub-brokers and other players in the securities market. Registration brings these intermediaries within its regulatory framework and makes them subject to the requirements governing their activities.
- **Regulation of investment schemes:** SEBI registers and regulates the working of collective investment schemes, including mutual funds. It supervises these schemes so that their operations conform to the prescribed requirements.

Step 2: State the supervisory function

- **Inspection and audit:** SEBI undertakes inspections, conducts inquiries and audits stock exchanges and intermediaries. These checks help it examine whether market participants are complying with the rules and identify irregularities requiring action.

Each point describes a specific way in which SEBI controls and supervises the securities market, rather than merely stating its broad purpose.

Step 3: Conclusion Three regulatory functions are registration of brokers and other market players, registration and regulation of collective investment schemes including mutual funds, and inspections, inquiries and audits of stock exchanges and intermediaries.

Quick Tip to Solve: For regulatory functions, recall registration, regulation and inspection; do not substitute training or investor education, which are developmental functions.

OR

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

Solution:

Concept:

- SEBI seeks to create an environment in which the securities market can operate efficiently and develop in a healthy manner.
- Its objectives relate to the conduct of the market, the interests of investors and the behaviour of market participants.

Step 1: State the market and investor objectives

- **Regulate the securities market:** SEBI aims to regulate stock exchanges and the securities industry, promote their orderly functioning and support their development. An organised market helps

issuers and investors carry out transactions in a dependable framework.

- **Protect investors:** SEBI aims to protect the rights and interests of investors, particularly individual investors. Safeguarding investors helps prevent their exploitation and guides market participants towards fair treatment of those who supply funds.

Step 2: State the fair-trading objective

- **Prevent trading malpractices:** SEBI aims to prevent trading malpractices and achieve a balance between self-regulation by the securities industry and its statutory regulation. Market participants are encouraged to follow proper standards, while SEBI retains the authority to regulate their conduct.

These are desired outcomes of SEBI's work. Specific actions such as registering brokers or inspecting exchanges are the means used to pursue such objectives.

Step 3: Conclusion Three objectives are orderly regulation and development of the securities market, protection of investors' rights and interests, and prevention of trading malpractices while balancing self-regulation with statutory regulation.

Quick Tip to Solve: Objectives state what SEBI seeks to achieve: an orderly market, protected investors and fair trading. Functions describe the actions used to achieve them.

22. 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:

- An objective states the desired future result towards which managerial activity is directed; it is an end to be achieved.
- A strategy is a comprehensive plan for accomplishing organisational objectives. It determines long-term objectives, selects courses of action and allocates the resources needed.

Step 1: Identify the objective and quote its evidence **Objective:** The case states, "He set a target of earning a modest 10% return on investment in the first year." This is an objective because it specifies the result Neel wants the bakery to achieve. It is measurable, since the target is a particular return on investment, and time-bound, since it is to be achieved in the first year. Such an objective directs business activities and provides a standard against which actual performance can be assessed.

Step 2: Identify the strategy and explain its scope **Strategy:** The case states, "He now wanted to develop a plan to define the direction and scope of 'Cakes and Bakes' for the long run." It also states, "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." This is a strategy because it concerns the bakery's overall long-term direction and the courses of action through which its objectives will be attained. Decisions about pricing and advertising give effect to that direction by deciding how the business will approach its market and improve returns.

Step 3: Conclusion The two types of plans are an objective, represented by the first-year 10% return target, and a strategy, represented by the bakery's long-term direction and its pricing and advertising decisions.

Quick Tip to Solve: Identify the desired result as the objective; identify the comprehensive long-term direction and courses of action as the strategy. Quote a separate case line for each.

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23. 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 means ensuring that actual activities conform to planned activities. Managers set standards, measure actual performance, compare it with standards and take corrective action.
- The importance of controlling includes accomplishing organisational goals, judging the accuracy of standards and making efficient use of resources. The question requires two benefits other than the resource-use benefit illustrated in the case.

Step 1: Identify the management function in the case **(i) The function is controlling.** Piyush compared the actual production cost of Rs 600 per pair with the estimated cost of Rs 500 per pair. The investigation of this deviation revealed that targets could be achieved with "only 800 workers" although 1000 workers were employed. The statement that the organisation was "not utilizing the human resources optimally" illustrates **making efficient use of resources**, a point of importance of controlling.

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

can then guide activities back towards the desired results, helping the organisation accomplish its objectives.

Judging accuracy of standards: A good control system enables management to verify whether the standards set are accurate and objective. By reviewing performance and changes in the organisation and its environment, managers can revise standards when necessary so that they remain realistic and useful.

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

Quick Tip to Solve: When a case compares planned and actual results and investigates the difference, identify controlling. If asked for other benefits, first exclude the benefit already illustrated.

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

Solution:

Concept:

- Controlling is the management function that compares actual performance with planned standards, analyses deviations and initiates corrective action.
- It helps management keep organisational activities directed towards objectives and use organisational resources effectively. Its importance can be explained through specific benefits to the organisation and its employees.

Step 1: Explain how controlling supports goals and standards **1. Accomplishing organisational goals:** Controlling measures progress towards organisational goals and reveals deviations from the plan. Managers can investigate significant deviations and take corrective action. It therefore guides activities towards the desired results and helps ensure that organisational objectives are accomplished.

2. Judging accuracy of standards: A good control system helps management verify whether the standards set are accurate and objective. Performance information and changes in the organisation or its environment may show that a standard needs revision. Reviewing standards makes the basis for evaluating performance more realistic and useful.

Step 2: Explain the benefit for resource utilisation **3. Making efficient use of resources:** Controlling reduces wastage and spoilage by requiring activities to conform to predetermined standards. Performance checks reveal where materials, labour or other resources are being used inefficiently. Corrective action helps ensure that resources are used in the most effective and efficient manner, rather than allowing avoidable waste to continue.

Step 3: Conclusion Three points of importance of controlling are **accomplishing organisational goals**, **judging accuracy of standards** and **making efficient use of resources**. Each benefit follows from comparing performance with standards and acting on deviations.

Quick Tip to Solve: Explain each benefit by linking a control activity to its result: checking progress supports goals, reviewing targets checks standards, and correcting waste improves resource use.

OR

24(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. It sets objectives and the course of action for achieving them.
- Controlling compares actual performance with the standards established through planning and takes corrective action. Planning and controlling are interdependent and inseparable functions of management.

Step 1: Explain their mutual dependence **1. Planning provides the basis for controlling:** Plans establish the objectives and standards against which actual performance is measured. Without these standards, a manager has no clear basis for deciding whether performance is satisfactory or a deviation requires attention. Thus, controlling presupposes the existence of planning.

2. Controlling makes planning meaningful: A plan alone does not ensure that work is carried out as intended. Controlling checks whether events conform to the plan, identifies deviations and initiates corrective action. Without controlling, plans may remain on paper; controlling helps translate planned objectives into actual results.

Step 2: Connect past performance with future plans **3. Both are backward-looking and forward-looking:** Planning looks ahead by prescribing future action, but it also draws on past experience and the feedback provided by controlling. Controlling looks back by evaluating performance already achieved, yet it is also forward-looking because corrective action aims to improve future performance. The information obtained through control becomes an input into the next planning cycle.

Step 3: Conclusion Planning supplies performance standards, controlling checks their achievement, and control feedback improves future plans. The two functions therefore reinforce each other in a continuous management cycle.

Quick Tip to Solve: Use the sequence "plan standards, check performance, feed results into the next plan" to explain the relationship; neither function is exclusively forward-looking or backward-looking.

25. '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 includes social forces such as customs, traditions, values, lifestyles and consumption habits that influence demand for goods and services.
- Understanding the business environment helps in improving performance. Continuous monitoring enables an enterprise to adopt suitable practices and improve both its current results and long-term prospects.

Step 1: Identify the environmental dimension **Social environment:** The relevant clue is that VBR Cinema was the first to recognise the "change in consumption habits of people". It replaced burgers, pizza and soft drinks with "healthier options like salads and smoothies, soups and anjeer-based sweets". Consumption habits and preferences form part of the social environment. The movement towards healthier food indicates a change in people's lifestyles and attitudes towards health, which affects the kind of food they want to purchase at the cinema.

Step 2: Explain how this dimension affects the business **Effect on demand:** A cinema's food offering must reflect its customers' changing preferences. VBR Cinema responded to this social change by adjusting its menu. The case states that its revenue from food sales "doubled" within a month, showing how recognising a change in consumption habits can help an enterprise meet customer needs more effectively.

Step 3: Identify and explain the importance highlighted **Helps in improving performance:** The decisive clue is "continuously monitoring the environment and adopting suitable business practices", through which the cinema could "improve its revenues and profits" and expected success "in the long run too". Environmental understanding allows management to keep reviewing business conditions and adapting its practices instead of following an outdated approach. Enterprises that monitor and respond to their environment can improve present performance and strengthen their prospects of continued success.

Step 4: Conclusion The dimension is the **social environment**, reflected in changing consumption habits towards healthier food. The importance is that understanding the business environment **helps in improving performance**, as shown by higher revenues and profits and the expectation of long-term success.

Quick Tip to Solve: Link changing lifestyles or food preferences to the social environment; use the case's continuous monitoring and improved results to identify improving performance.

26(a). Explain any four advantages of external sources of recruitment. [4 marks]

Solution:

Concept:

- External recruitment means inviting applications from people outside the organisation to fill vacant jobs. It enlarges the pool of potential employees beyond the existing workforce.
- Its principal advantages are qualified personnel, a wider choice, fresh talent and a competitive spirit among existing employees.

Step 1: Explain the benefits of a larger applicant pool

- **Qualified personnel:** External recruitment gives management an opportunity to attract qualified and trained people from outside. The organisation can look for applicants with the education, skills and experience needed for a vacancy instead of being restricted to the qualifications available within its present staff. This is especially useful when the required expertise is not already available internally.
- **Wider choice:** Inviting applications from outside brings a large number of candidates into consideration. Management can compare their qualifications and capabilities and select the most suitable person from this wider pool. The choice is therefore broader than when a vacancy is filled only through promotion or transfer of existing employees.

Step 2: Explain the benefits for ideas and employee effort

- **Fresh talent:** People entering from outside can bring new ideas, knowledge and different ways of working. Their fresh approach can help the organisation overcome limitations in its existing practices. This is particularly valuable when current employees lack the skills or ideas needed to meet a new challenge or introduce a change.
- **Competitive spirit:** When existing employees know that vacancies may also be filled by outsiders, they face competition for advancement. This can motivate them to work harder, improve their performance and develop their skills. They cannot take promotion for granted merely because they already belong to the organisation.

Step 3: Conclusion Four advantages of external sources of recruitment are **qualified personnel, wider choice, fresh talent and competitive spirit**. Together, they help an organisation obtain suitable employees and encourage improvement in its workforce.

Quick Tip to Solve: Remember the four NCERT headings: qualified personnel, wider choice, fresh talent and competitive spirit; explain how each benefits the organisation.

OR

26(b). Explain 'Direct Recruitment' and 'Casual Callers' as external sources of recruitment. [4 marks]

Solution:

Concept:

- Recruitment means searching for prospective employees and stimulating them to apply for jobs in an organisation. External recruitment brings applicants from outside the organisation.
- Direct recruitment and casual callers are inexpensive external sources, but differ in whether the employer announces a vacancy or an applicant approaches the employer on their own.

Step 1: Explain direct recruitment

- **Meaning and procedure:** Under direct recruitment, a notice specifying the details of available jobs is placed on the notice board of the enterprise. Job seekers assemble outside its premises on the specified date, and selection is made on the spot.
- **Use and suitability:** The method generally recruits unskilled or semi-skilled workers for casual vacancies. Such workers are often paid wages on a daily basis and are called casual or badli workers. It is useful when regular workers are absent or an extra rush of work requires additional hands, and it involves little recruitment expense.

Step 2: Explain casual callers

- **Meaning and procedure:** Many reputed business organisations receive unsolicited applications from people seeking employment, even when no vacancy has been advertised. They keep these applications in a database or file for future use.
- **Use and suitability:** When a suitable vacancy arises, the organisation screens this database and calls suitable candidates for consideration. This reduces the cost of recruiting the workforce compared with inviting fresh applications. An application on file does not itself guarantee appointment; the applicant must still be suitable for the vacancy.

Step 3: Conclusion Direct recruitment selects job seekers who respond to a notice displayed at the enterprise, whereas casual callers provide a pool of unsolicited applications that can be considered when vacancies arise. Both are external recruitment sources.

Quick Tip to Solve: Link direct recruitment to a factory-gate vacancy notice and casual callers to applications already kept on file; this clearly distinguishes the two sources.

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

(i) Technology upgradation

(ii) Choice of technique [4 marks]

Solution:

Concept:

- Fixed capital refers to investment in long-term assets such as plant, machinery and equipment. Decisions about these assets commit funds for a long period.

- The amount required depends on how frequently assets need technological replacement and on the relative use of machinery and labour in production.

Step 1: Explain the effect of technology upgradation

- **Frequent obsolescence raises the requirement:** In industries where technology changes rapidly, existing machinery and equipment become obsolete sooner, even if they are still physically usable. Enterprises need funds to replace or upgrade these assets to remain competitive. Their fixed capital requirement is therefore higher.
- **Stable technology reduces replacement needs:** Where assets are not subject to rapid obsolescence, they can be used for a longer period and need not be replaced as frequently. Such enterprises require comparatively less fixed capital for technological replacement. For example, computers become obsolete much sooner than many basic factory furnishings.

Step 2: Explain the effect of the choice of technique

- **Capital-intensive technique:** This technique relies more on machinery and automation than on manual labour. It requires a larger investment in plant and equipment and therefore a higher amount of fixed capital for a comparable scale of operations.
- **Labour-intensive technique:** This technique relies more on human labour and uses relatively less machinery. It therefore requires comparatively less investment in fixed assets. Wages are recurring operating payments; their existence does not mean that a labour-intensive method requires the same investment in machinery as a capital-intensive method.

Step 3: Conclusion Rapid technology upgradation increases fixed capital needs through frequent replacement of assets. A capital-intensive production technique also needs more fixed capital, whereas stable technology and a labour-intensive technique generally need comparatively less.

Quick Tip to Solve: For each factor, state the direction of change and its cause: rapid obsolescence means more replacement, while more machinery means more initial fixed investment.

OR

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

(i) Stability of earnings

(ii) Taxation policy [4 marks]

Solution:

Concept:

- A dividend decision determines how much of the company's profit is distributed to shareholders and how much is retained in the business for future requirements.
- Stability of earnings affects the regularity of funds available for dividend, while taxation policy affects shareholders' preference for dividend income or capital gains.

Step 1: Explain stability of earnings **Stability of earnings:** A company with stable earnings is in a better position to declare a higher dividend than a company whose earnings fluctuate. Predictable

profits give management confidence that it can maintain the dividend in future years instead of reducing it sharply after a poor year.

Effect on the payout: A company with unstable earnings is likely to retain a larger proportion of current profits to provide for periods of low earnings. Thus, even when two companies have similar current profits, the one with more stable earnings can generally commit to a higher dividend. It is the regularity of earnings, rather than a single unusually profitable year, that supports a sustainable payout.

Step 2: Explain taxation policy **Taxation policy:** The tax treatment of dividends influences the amount shareholders receive after tax. If tax on dividends is higher, shareholders may prefer lower dividends; if the tax burden is lower, they may prefer higher dividends.

Dividend versus capital gains: Shareholders compare the tax on dividend income with the tax on capital gains. Where dividends face a higher tax rate than capital gains, retaining profits and allowing the value of shares to rise may be more attractive. A change in taxation policy can therefore change shareholders' preferences and influence the company's dividend decision. The company considers this preference together with its own financial requirements.

Step 3: Conclusion Stable earnings support a higher and more dependable dividend, whereas fluctuating earnings encourage retention. Taxation policy affects the relative attractiveness of dividends and capital gains and consequently influences the dividend payout.

Quick Tip to Solve: Link stable earnings to the ability to maintain dividends; link taxation policy to shareholders' after-tax return from dividends compared with capital gains.

28. Distinguish between 'Money Market' and 'Capital Market' on the following basis :

(i) Participants

(ii) Instruments

(iii) Duration

(iv) Liquidity [4 marks]

Solution:

Concept:

- The money market deals in short-term funds and monetary assets with a maturity of up to one year. It helps meet temporary funding and liquidity requirements.
- The capital market deals in medium-term and long-term funds, through debt and equity securities. The two markets differ in their participants, instruments, duration and liquidity.

Step 1: Compare participants and instruments

Basis	Money Market	Capital Market
Participants	Major participants include the Reserve Bank of India, commercial banks, financial institutions and finance companies. These institutions undertake large short-term transactions.	Participants include financial institutions, banks, corporate entities, foreign investors and ordinary retail investors from the public.
Instruments	Major instruments are treasury bills, commercial paper, call money, certificates of deposit and commercial bills.	Major instruments are equity shares, preference shares, bonds, debentures and other long-term securities.

Money-market transactions generally involve large amounts and primarily institutional participants. The capital market also allows individuals to invest their savings in corporate securities.

Step 2: Compare duration and liquidity

Basis	Money Market	Capital Market
Duration	Funds are lent and borrowed for the short term, with a maximum tenure of one year.	Funds are raised for medium-term and long-term requirements, generally for periods exceeding one year; equity has no fixed maturity.
Liquidity	Instruments are highly liquid, with formal arrangements facilitating their conversion into cash. Their short maturity also supports liquidity.	Securities are generally less liquid than money-market instruments. Listed securities can be sold on a stock exchange, but their ready sale depends on finding buyers and prevailing market conditions.

Liquidity means the ease of conversion into cash. The existence of a stock exchange provides marketability to listed capital-market securities, but it does not make every security as liquid as a money-market instrument.

Step 3: Conclusion The money market primarily serves short-term institutional funding through highly liquid instruments. The capital market serves medium-term and long-term financing through securities purchased by institutional as well as individual investors.

Quick Tip to Solve: Use the one-year boundary for duration, list instruments in the correct market, and distinguish stock-exchange marketability from the higher liquidity of money-market instruments.

29. '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:

- Financial incentives are rewards that can be measured in money and motivate employees to improve their performance. They include cash payments as well as benefits with a monetary value.
- Under Directing, an incentive must be identified from the particular benefit offered. Inaya Ltd. provides perquisites, retirement benefits, co-partnership or stock options, and bonus.

Step 1: Identify the benefits provided during service **Perquisites:** The company offers "car allowance, medical aid and allowance for children's education" to employees above the Manager's level. These benefits are provided over and above salary and have a monetary value. They make the overall remuneration package more attractive and help meet employees' personal and family needs, thereby encouraging them to perform better.

Step 2: Explain the provision for retirement **Retirement benefits:** Inaya Ltd. "regularly contributes towards the Employees' Provident Fund and pays gratuity on retirement". Provident fund and gratuity provide financial security after retirement, when regular employment income stops. This assurance helps employees feel secure about their future and motivates them to continue contributing to the organisation.

Step 3: Explain the ownership incentive **Co-partnership or stock option:** Employees are offered shares "at a set price which is lower than the market price". This gives employees an opportunity to become part owners of the company at a favourable price. Their interests become linked with the company's success, encouraging commitment and effort towards improving its performance.

Step 4: Identify the additional payment **Bonus:** The company sets aside funds to pay "one percent of base salary as bonus" each year. Bonus is an incentive offered over and above wages or salary. The additional monetary reward recognises employees' contribution and encourages them to maintain or improve their performance.

Step 5: Conclusion The four financial incentives are perquisites, retirement benefits, co-partnership or stock options, and bonus. Each benefit in the case provides a monetary advantage that can motivate Inaya Ltd.'s employees.

Quick Tip to Solve: Match allowances with perquisites, provident fund and gratuity with retirement benefits, discounted shares with stock options, and extra salary-linked payments with bonus.

30. 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 influenced by the cost of the product and by competitive conditions. A price must be considered in relation to both the firm's expenditure and the alternatives available to buyers.
- Product cost generally sets the minimum level that a firm must recover for long-term survival, while competition limits its freedom to charge a higher price.

Step 1: Identify and explain product cost **Product cost:** The case states that "good quality fabric with intricate designs and skilled craftsmanship" makes the garments "expensive to produce". It also says that the price will "cover the cost of production and sale of garments" and provide a margin over cost. These statements show the influence of product cost on pricing.

Cost includes the expenditure on producing, distributing and selling the product. Fixed costs do not change with the level of output within the relevant range, whereas variable costs change with output. The firm normally needs a price that covers total cost and provides a reasonable profit in the long run. Ashwin therefore considers both production and selling costs before adding his 10% margin; the quality and craftsmanship increase the cost that his selling price must recover.

Step 2: Identify and explain the extent of competition **Extent of competition in the market:** Ashwin realises that "the online market is very competitive" and therefore decides to "charge a reasonable price". These words directly show that competing sellers influence his price decision.

When several sellers offer competing products, customers can compare prices and shift to alternatives. A firm must consider competitors' prices, the quality of their products and the features they offer before fixing its own price. Intense competition restricts the freedom to charge a very high price, even when production is costly. Thus, Ashwin has to balance recovery of his costs with a price that remains acceptable in the competitive online clothing market.

Step 3: Conclusion The two factors are **product cost** and **the extent of competition in the market**. Kogue's price is based on recovering production and selling costs with a 10% margin, while remaining reasonable because the online market is highly competitive.

Quick Tip to Solve: Separate the internal clue, the cost of making and selling the garments, from the external clue, competing online sellers. Identify each factor and quote its supporting case words before explaining it.

31. 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 rights protect buyers against exploitation and help them make a free and informed purchase. The right to choose concerns access to alternatives; the right to seek redressal concerns relief against defective goods or unfair practices.
- Rights go together with consumer responsibilities. A buyer should purchase standardised goods as far as possible and insist on a cash memo as evidence of the transaction.

Step 1: Identify and explain the right to choose **Right to choose:** A consumer has the right to choose from a variety of products at competitive prices. The seller should allow the consumer to examine alternatives and make a choice rather than compel the purchase of a particular product. The case states that Ashish went to "various stores selling electronic items to check the available varieties of different brands." This search for different brands illustrates his right to select a television according to his requirements and budget. A low price can be considered while choosing, but it does not remove the need to check quality.

Step 2: Identify and explain the right to seek redressal **Right to seek redressal:** A consumer has the right to seek relief against defective goods, deficient services and unfair trade practices. Depending on the facts, appropriate relief may include removal of a defect, replacement, refund or compensation for loss or injury. The TV "started malfunctioning within a month," and the manufacturer refused to replace it. Ashish then "decided to file a complaint in the Consumer Court against the manufacturer." This is the exercise of the right to seek redressal. Filing a complaint enables his grievance and evidence to be examined; it does not mean that a remedy is granted automatically merely because he demands one.

Step 3: State the responsibilities Ashish neglected

- **Buy standardised goods:** Consumers should buy standardised products as far as possible because relevant quality-assurance marks provide assurance about prescribed standards. For an electrical appliance, the appropriate BIS/ISI certification should be checked. Ashish bought the TV "even when the TV was not having any standardisation mark on it," so he neglected this responsibility.
- **Insist on a cash memo:** A consumer should insist on and retain a cash memo or bill for the

purchase. It supplies documentary proof of the seller, the product and the transaction and supports a complaint. Although Ashish initially asked for one, he accepted the manufacturer's discouragement that it would "attract additional tax" and proceeded without insisting on the bill. An oral promise of immediate replacement does not replace documentary evidence.

Step 4: Conclusion The two consumer rights are the **right to choose** and the **right to seek redressal**. The two responsibilities Ashish failed to fulfil were checking for standardised goods and insisting on a cash memo for his purchase.

Quick Tip to Solve: Link comparing brands to the right to choose, and a complaint seeking relief to redressal. For responsibilities, use the two explicit omissions: no standardisation mark and no cash memo.

32(a). Explain the following principles of general management :

(i) Unity of command

(ii) Equity

(iii) Initiative [6 marks]

Solution:

Concept:

- Henri Fayol's principles of general management are broad guidelines for managerial decisions and behaviour. They guide the organisation of authority, fair treatment of employees and encouragement of employee participation.
- Unity of command concerns the source of an employee's orders; equity concerns justice in treatment; initiative concerns the opportunity to propose and carry out plans. Each principle addresses a different aspect of effective management.

Step 1: Explain unity of command **Unity of command:** Every individual employee should receive orders from, and be responsible to, only one superior. If an employee receives instructions from two superiors, those instructions may conflict and the employee may not know which one to obey. This creates confusion, divided loyalty and difficulty in fixing responsibility for performance. A single reporting superior makes authority and accountability clear and helps maintain discipline. For example, a sales employee should receive work instructions through the designated sales supervisor instead of being given conflicting instructions by two managers. This principle relates to one superior for each employee; it should not be confused with unity of direction, which means one head and one plan for a group of activities having the same objective.

Step 2: Explain equity **Equity:** Managers should treat employees with kindness and justice so that employees develop loyalty and devotion towards the organisation. There should be no discrimination on grounds such as sex, religion, language, caste or nationality. Decisions about employees should rest on fair and objective considerations rather than personal bias or favouritism. Fair treatment improves confidence in management and encourages employees to contribute willingly. Equity does not mean that managers must tolerate indiscipline or treat unequal performance as identical. Where necessary, firmness and strict action can be consistent with justice, provided the same fair standards are applied. Thus, the principle combines a considerate approach with impartial administration.

Step 3: Explain initiative **Initiative:** Employees should be encouraged to think out and execute plans within the limits of their authority and organisational discipline. Initiative involves taking the first step with self-motivation: suggesting an improvement, preparing a plan and accepting responsibility for putting an approved idea into action. Managers should provide opportunities for suggestions and participation rather than suppress useful ideas simply to retain personal credit. For example, an employee may suggest a better method of arranging materials to save handling time; management can examine and implement the proposal and recognise the contribution. Encouraging initiative develops confidence, enthusiasm and a sense of involvement and brings useful practical ideas to the organisation. It does not permit employees to disregard established policy or exceed their authority.

Step 4: Conclusion Unity of command provides one reporting superior, equity ensures kind and just treatment, and initiative encourages employees to propose and execute plans. Together, these principles promote clear responsibility, loyalty and willing participation in organisational work.

Quick Tip to Solve: Remember the three distinct questions: Who gives the employee orders? Is the employee treated fairly? Can the employee suggest and implement an approved plan?

OR

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

(i) Meeting changing environment requirements

(ii) Management training, education and research

(iii) Optimum utilisation of resources and effective administration [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They help managers apply organised knowledge instead of relying only on trial and error.
- Their significance follows from their flexibility, their contribution to systematic managerial knowledge, and their role in using scarce resources efficiently.

Step 1: Explain meeting changing environment requirements **Meeting changing environment requirements:** Management principles are flexible rather than rigid rules. Managers can modify their application to suit changes in business conditions, technology, competition and employees' expectations. Thus, principles help a business respond to a dynamic environment while retaining a sound basis for action. For example, the principle of division of work can guide the allocation of duties, but the exact grouping of duties may change when new technology is introduced. Applying a principle requires judgement about the circumstances; it does not mean copying an old practice mechanically.

Step 2: Explain management training, education and research **Management training, education and research:** Principles form the core of management theory. They provide a body of knowledge that can be taught to students and used to train managers systematically. Learners can study established

relationships and then examine their application through cases and practical situations. These principles also provide a starting point for research: researchers can test their relevance in different organisations and investigate changing managerial practices. Such study refines existing knowledge and can lead to the development of new principles. Management therefore becomes a learnable discipline supported by continuing investigation.

Step 3: Explain resource utilisation and effective administration **Optimum utilisation of resources and effective administration:** Resources such as people, materials, money and machines are limited. Principles help managers use them in the best possible manner, reducing waste and obtaining maximum benefit from available inputs. Decisions based on logical analysis and principles avoid unnecessary personal bias. Principles also promote effective administration by clarifying responsibility and authority and encouraging disciplined, coordinated work. For instance, unity of command helps prevent conflicting instructions, while an appropriate division of work avoids duplication. These guidelines support orderly functioning and achievement of organisational objectives with economical use of resources.

Step 4: Conclusion Principles of management help managers adapt to changing conditions, provide the foundation for managerial education and research, and improve resource use and administration. Their value lies in thoughtful application to the needs of each situation.

Quick Tip to Solve: Link each significance to its result: flexibility helps adaptation, organised knowledge supports learning and research, and rational guidelines reduce waste and improve administration.

33(a). Distinguish between 'Functional Structure' and 'Divisional Structure' on any six bases. [6 marks]

Solution:

Concept:

- Organisation structure specifies the grouping of jobs and the relationships of authority and responsibility. A functional structure groups activities by specialised functions, while a divisional structure groups them around products or product lines.
- Each division normally contains the functions needed for its own product. The choice of structure affects specialisation, accountability, coordination, cost and managerial development.

Step 1: Establish the difference in grouping In a functional structure, similar activities are placed together in departments such as production, finance, marketing and personnel. In a divisional structure, activities related to a particular product are placed together in a division, and that division has its own functional departments. The following six bases distinguish their practical effects.

Step 2: Compare the structures on six bases

Basis	Functional structure	Divisional structure
Formation	Activities are grouped according to functions, such as production, finance and marketing. Similar work is performed in one department.	Activities are grouped according to products or product lines. Each product division includes the major functions needed for its operations.
Specialisation	It promotes functional specialisation because employees repeatedly perform similar tasks and develop expertise in their particular function.	It promotes product specialisation because attention is concentrated on the requirements and performance of a particular product or product line.
Responsibility	Fixing responsibility for the overall performance of a product is more difficult because several functional departments contribute to the result.	Responsibility for a product's performance is easier to fix on the divisional head, since the division's results can be assessed separately.
Managerial development	Development of general managers is more limited because managers mainly gain experience within their own specialised function.	It facilitates the development of general managers because divisional heads handle several functions and make varied decisions for their division.
Cost	It is relatively economical because the same functional department serves the organisation and avoids duplication of facilities across products.	It is relatively costly because each division may need its own functional departments, leading to duplication of personnel and facilities.
Coordination	Coordination is relatively difficult in a multiproduct business because each product depends on the cooperation of several separate functional departments.	Coordination within a product division is easier because the major activities relating to that product are integrated under its divisional head.

Step 3: Conclusion Functional structure organises work around specialised functions, whereas divisional structure organises work around products. The six distinctions are formation, specialisation, responsibility, managerial development, cost and coordination.

Quick Tip to Solve: Use the same basis in both columns: compare functions with products, then trace how that grouping changes accountability, managerial experience, duplication and coordination.

OR

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

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It provides direction, but a plan is based on forecasts and cannot remove every business uncertainty.
- Its limitations arise both from the process of preparing and implementing plans and from changes in the environment. Any four relevant limitations can be explained.

Step 1: Explain rigidity in implementing plans **Planning leads to rigidity:** A detailed plan specifies the objectives, methods and sequence of work in advance. Managers may then follow the prescribed course even when changed circumstances call for a different approach. This reduces the flexibility and initiative needed to respond quickly. For example, an established production schedule may be followed despite a sudden change in customer preferences. A plan is intended to guide action, but excessively strict adherence can make necessary adaptation difficult.

Step 2: Explain the difficulty of anticipating a changing environment **Planning may not work in a dynamic environment:** Business conditions change continuously because of economic, political, legal, technological and social developments. Planning depends on assumptions about these future conditions, and a major unexpected change can make those assumptions inaccurate. A competitor's innovation or a change in government policy may therefore make an earlier plan less useful. Managers cannot foresee and control every external influence, so even carefully prepared plans may need revision.

Step 3: Explain the restriction on employee initiative **Planning reduces creativity:** Plans are generally formulated by top management, while other managers and employees are expected to implement them. When employees merely carry out predetermined instructions, they may not be encouraged to think independently or develop new ways of working. Initiative and original ideas can consequently be restricted. This limitation concerns the way planning can confine action to an established framework; it does not mean that thinking is unnecessary when a plan is first prepared.

Step 4: Explain the expenditure involved **Planning involves huge costs:** Preparing reliable plans requires collecting and analysing information, conducting investigations and sometimes obtaining specialist advice. Meetings, surveys, forecasts and managerial effort all involve expenditure. These costs are incurred before the planned actions produce their benefits. If the expected benefit of a plan is small, or if conditions change before it is implemented, the resources spent on its preparation may be disproportionate to its usefulness. The cost of planning must therefore be justified by its expected contribution.

Step 5: Conclusion Four limitations are rigidity, difficulty in a dynamic environment, reduced creativity and high costs. Planning provides useful direction, but these limitations explain why it cannot by itself guarantee successful performance.

Quick Tip to Solve: For each limitation, state the NCERT heading and explain its cause and business effect; distinguish rigidity in following plans from uncertainty in the external environment.

34. 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 so that their efforts contribute to organisational objectives. It is the essence of management and links its functions.
- The case highlights coordination as a deliberate effort and a continuous process that integrates group efforts and ensures unity of action. Each feature must be linked to the words that demonstrate it.

Step 1: Identify deliberate coordination **Coordination is a deliberate function:** The relevant line is, "She coordinates the efforts of her staff in a conscious and deliberate manner". Coordination does not arise automatically merely because employees work in the same business. A manager must consciously synchronise their efforts, resolve differences in timing and priorities, and make them work towards the common purpose. Nalini deliberately aligns her staff's activities rather than leaving their cooperation to chance. Her advance preparation for wedding-season demand demonstrates this purposeful managerial effort.

Step 2: Identify continuity across management functions **Coordination is a continuous process:** The case says, "her coordination with all departments of the organization begins at the planning stage and continues till controlling". Coordination is an ongoing activity, rather than a single event completed when a plan is made. It connects planning, organising, staffing, directing and controlling as work proceeds. Nalini plans for the season, ensures an adequate workforce, briefs marketing and monitors progress. These connected activities show the continuing need to coordinate throughout implementation and review.

Step 3: Identify the integration of group efforts **Coordination integrates group efforts:** The supporting words are, "This acts as a binding force between the departments". Different departments undertake specialised activities and may develop their own priorities. Coordination reconciles these efforts and brings them into a purposeful working relationship. Nalini links staffing, retail operations and the marketing department's promotional preparations, so their separate contributions support the same seasonal business requirements. This binding role makes their combined effort effective instead of allowing isolated departmental action.

Step 4: Identify unity of action towards common goals **Coordination ensures unity of action:** The case states that it "ensures that all action is aimed at achieving organizational goals" and enables Nalini to "give a common focus to group effort". Coordination directs the activities of different individuals and departments towards the organisation's common objectives. It prevents separate efforts from pulling in conflicting directions and helps the departments act as a unified whole. In Nalini's business, the common focus is to meet wedding-season demand and ensure that the business performs according to its plans year after year.

Step 5: Conclusion The concept is coordination. Its four highlighted features are deliberate effort, continuity, integration of group efforts and unity of action, each demonstrated by Nalini's conscious alignment of departmental work towards organisational goals.

Quick Tip to Solve: Match "conscious" with deliberate effort, "begins ... continues" with continuity, "binding force" with integration and "common focus" with unity of action.