CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/2/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

Questions no. 1 to 20 are Multiple Choice Questions (MCQs), carrying 1 mark each. $20 \times 1 = 20$

1. _____ 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 an organisation.
- Recruitment creates a pool of applicants; selection subsequently chooses the most suitable people from that pool.

Step 1: Identify the activity described The words "searching for prospective employees" and "stimulating them to apply" describe attracting candidates. This is recruitment, the positive process that increases the number of applicants available for selection.

Step 2: Distinguish the other activities Selection means screening candidates and choosing suitable employees, rather than inviting applications. Training improves skills for a particular job. Development improves an employee's overall growth and capacity for future responsibilities. None of these is the initial search for applicants.

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

Quick Tip to Solve: Link recruitment with attracting applications and selection with choosing from those applications.

2. '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 particular situation.
- Rules leave no discretion or flexibility in their application, unlike a policy that guides decision making.

Step 1: Read the mandatory instruction The company decided to "strictly implement the instruction "No Helmet, No Entry. Entry is prohibited unless the person wears a helmet. It prescribes a specific action and permits no choice about compliance.

Step 2: Compare the types of plans This instruction is a rule. A policy is a general guide that allows discretion within limits. A method specifies the prescribed way of performing a task. A programme is a detailed plan combining objectives, policies, procedures, tasks and resources. The sign expresses a single compulsory requirement, rather than any of these broader plans.

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

Quick Tip to Solve: When an instruction leaves no discretion, classify it as a rule; a general decision guide is a policy.

3. 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:

- Marketing management philosophies differ in their main focus: production, product, marketing and societal marketing.
- The production concept stresses availability through large quantities; the product concept stresses product quality and performance.

Step 1: Match the production and product concepts The production concept focuses on quantity of product, so 1 matches (iv). The product concept focuses on quality, performance and features of the product, so 2 matches (ii). A high volume of output and superior product attributes are distinct emphases.

Step 2: Match customer and societal orientations The marketing concept begins with customers' needs, so 3 matches (i). Societal marketing considers customers' needs together with societal well-being, so 4 matches (iii). Only option (C) gives all four matches. Options (A) and (B) wrongly match production, and option (D) interchanges the production and product emphases.

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: production means quantity, product means quality, marketing means customer needs, and societal marketing adds welfare.

4. 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 makes decisions and issues orders that subordinates are expected to obey.
- The direction of communication and the amount of subordinate participation help distinguish leadership styles.

Step 1: Locate the clues in the case Akash "gives orders and expects his subordinates to obey those orders. Communication is "only one-way. These clues show that decision-making authority is concentrated in the leader and employees act on his commands.

Step 2: Compare the leadership alternatives This is authoritative leadership. A participative leader consults subordinates and encourages their involvement. A free-rein leader gives employees substantial freedom to decide and act. Pragmatic is not the leadership style identified by the textbook description of one-way commands and expected obedience. Thus the other three options do not describe the case.

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

Quick Tip to Solve: Orders, obedience and one-way communication together indicate authoritative or autocratic leadership.

5. '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 factors connected with the attitudes, confidence and motives of superiors and subordinates.

- Lack of confidence of a superior in subordinates can prevent the superior from seeking or accepting their suggestions.

Step 1: Identify the source of the barrier The quoted phrase "Lack of confidence of superior in his subordinates points to the superior's personal attitude towards the people reporting to him. It obstructs a free flow of communication because he may disregard or discourage their views.

Step 2: Distinguish the other categories NCERT classifies this specific barrier as a personal barrier. Psychological barriers include premature evaluation, distrust, poor retention and lack of attention. Semantic barriers concern meaning, language or symbols. Organisational barriers arise from policies, rules, status and structural arrangements. The wording here names the specific personal barrier rather than those categories.

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

Quick Tip to Solve: Use the textbook classification: a superior's lack of confidence in subordinates is a personal barrier.

6. '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 involves personal interaction between a salesperson and prospective buyers for the purpose of making a sale.
- A salesperson can explain a product, answer questions and persuade individual customers during direct contact.

Step 1: Identify how customers are approached The company "appointed salespersons to contact prospective customers in leading malls. Their aim is to "create awareness and "develop product preferences with a view to making sales. Direct contact by salespersons is the decisive clue to personal selling.

Step 2: Rule out the other promotion tools Advertising is paid, impersonal communication through media, whereas salespersons are personally contacting customers here. Sales promotion offers short-term incentives such as discounts, coupons or contests; no such incentive is stated. Public relations builds favourable relations and public image. It is not the direct sales contact described in this case.

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

Quick Tip to Solve: Look at the mode of contact: salespersons interacting directly with prospective buyers means personal selling.

7. 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 combination used to identify a seller's products and differentiate them from competitors.
- A brand name is the pronounceable part, a brand mark is the recognisable visual part, and a trademark is legally protected.

Step 1: Recognise the complete definition The question includes "a name, term, symbol, design, or some combination of these and the twin purposes of identification and differentiation. This is the broad definition of a brand, covering both verbal and visual elements.

Step 2: Distinguish the narrower terms A brand name is only the part that can be spoken, such as a word or letters. A brand mark is the part recognised visually, such as a symbol or distinctive design. A trademark is a brand or part of it given legal protection. The question does not limit itself to spoken names, visual marks or legal protection, so these alternatives are too narrow.

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

Quick Tip to Solve: Brand is the umbrella term; name is spoken, mark is visual, and trademark adds legal protection.

8. 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:

- Marketing is a social process through which people obtain what they need and want by creating and exchanging products and value.
- The essential features include needs and wants, creating a market offering, customer value and an exchange mechanism. Marketing functions are the activities used to carry out this process.

Step 1: Identify the feature statements Needs and wants are the starting point of marketing. Creating a market offering means designing a suitable combination of goods and services to satisfy them. Customer value means the benefit buyers perceive relative to what they pay. Thus options (A), (C) and (D) are features.

Step 2: Separate a marketing function Storage and warehousing preserve goods between production and consumption and ensure their availability when required. They are a marketing function, rather than one of the essential features of marketing. The word "not therefore directs us to this activity.

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 the nature of marketing from the activities used to perform it: warehousing is an activity.

9. 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 initiates corrective action to achieve organisational objectives.
- A pervasive function operates at every level of management and in every type of organisation,

although its scope differs with managerial responsibility.

Step 1: Evaluate Statement I Statement I is true. The purpose of controlling is to ensure that activities are performed according to the plans. A manager measures actual results against standards and corrects significant deviations so that work stays directed towards the intended objectives.

Step 2: Evaluate Statement II and select the pair Statement II is also true. Managers at the top, middle and supervisory levels all monitor performance within their areas. Controlling is also needed in business and non-business organisations. Hence it is pervasive. Options (A) and (B) incorrectly reject one true statement, while (D) rejects both.

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

Quick Tip to Solve: Check each statement separately: the first describes what controlling does; the second describes where managers perform it.

10. 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 into departments according to the functions performed.
- A divisional structure groups activities around separate products or divisions, while informal organisation arises from personal relationships rather than deliberate departmental design.

Step 1: Identify the basis of grouping Sunita created "separate departments for reservations, hotel bookings, online queries and payment handling. Each department performs a specialised activity within the same travel agency. The grouping is therefore based on functions, rather than separate product divisions.

Step 2: Eliminate the other structures A divisional structure would organise complete activities around distinct products or business divisions, which the case does not describe. Informal structure concerns spontaneous social relationships, not departments deliberately created by Sunita. Vertical structure describes an authority arrangement and does not identify this function-based departmentalisation.

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

Quick Tip to Solve: Look for the basis of departmentalisation: specialised activities such as booking and payment indicate a functional structure.

11. 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, counselling, motivating and leading people to achieve organisational objectives.
- Its importance includes initiating action, integrating employees' efforts and facilitating change. Estimating manpower requirements belongs to the staffing process.

Step 1: Verify the directing statements Option (A) is correct because directing puts plans into action through people. Option (B) is correct because guidance and leadership coordinate individual contributions towards the organisation's performance. Option (C) is also correct because effective communication and motivation help employees accept needed changes.

Step 2: Find the function described by the remaining statement Estimating manpower requirements means assessing the number and type of employees needed. It is a step in staffing, before recruitment and selection, rather than an importance of directing. Since the question asks for the incorrect statement about directing, this is the required choice.

Step 3: Conclusion Estimating manpower requirements is associated with staffing. Hence, the correct option is (D).

Quick Tip to Solve: Link employee numbers and qualifications to staffing; link guiding and motivating employees already at work to directing.

12. 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 an individual's potential to learn new skills and develop the ability needed for a job.
- Selection tests assess different characteristics. Intelligence tests assess intellectual abilities, personality tests assess personal traits and interest tests assess preferences for activities.

Step 1: Match the wording to the test The decisive words are "potential for learning new skills. They refer to future capacity to acquire proficiency through training rather than a person's existing knowledge or preferences. This is the purpose of an aptitude test.

Step 2: Rule out the other tests Intelligence tests measure abilities such as learning, reasoning and making judgements more generally. Personality tests examine traits such as emotional balance and behaviour. Interest tests identify the activities a person likes. None is the specific test defined by potential for learning new job skills in this question.

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

Quick Tip to Solve: Associate aptitude with potential to acquire a skill, personality with traits and interest with what a candidate likes doing.

13. '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 because the capital structure includes fixed financial charges such as interest.
- Debt carries a fixed interest commitment. When the return earned using borrowed funds exceeds their cost, the residual earnings available to equity shareholders can increase.

Step 1: Identify the defined concept The question explicitly links an "increase in profit earned by equity shareholders to "fixed financial charges like interest. These are the defining elements of trading on equity: the fixed financing commitment can magnify earnings accruing to the equity owners.

Step 2: Distinguish the alternatives Capital structure is the mix of debt and equity used by a firm. A financing decision chooses sources of finance. Return on Investment measures the return generated on invested funds. These are related financial concepts but none names this particular increase in equity shareholders' earnings due to fixed financial charges.

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

Quick Tip to Solve: When a definition combines equity shareholders' increased earnings with fixed interest charges, identify trading on equity.

14. '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:

- Control is a factor affecting capital structure because issuing equity can change the voting ownership of the company.
- Debt normally does not confer voting ownership on lenders. An equity issue can dilute existing management's holding, especially when that holding is already low.

Step 1: Identify the concern in the case The case states that a public equity issue "may reduce the management holding and make the company "vulnerable to takeover. Both expressions concern the existing management's ability to retain voting power and control, rather than the price of raising funds.

Step 2: Exclude the other financing factors Flexibility concerns the ability to adjust financing and maintain borrowing capacity. Cost of debt refers to the cost of borrowed funds, while cost of equity concerns the return expected by equity investors. The case provides no comparison of those costs or financing flexibility; its explicit focus is dilution of management ownership.

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

Quick Tip to Solve: Words such as dilution of holding, voting power and takeover point to control when choosing between debt and equity.

15. _____ 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, enabling investors to hold them in a demat account.
- A depository is the institution that holds electronic securities; it is distinct from the process of dematerialisation.

Step 1: Identify the process The words "holding securities in an electronic form" describe dematerialisation. Physical certificates are replaced by electronic balances, which can be maintained and transferred through a demat account.

Step 2: Eliminate the other terms Rolling settlement concerns the settlement of trades within a prescribed period. Registration records ownership or other particulars. A depository is an institution providing custody services, rather than the name of the conversion and electronic-holding process. Thus none of these three terms fills the blank correctly.

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

Quick Tip to Solve: Distinguish the process, dematerialisation, from the institution, the depository, and the account, the demat account.

16. 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 of management.
- It is a policy choice of top management, unlike delegation, which is necessary for a manager to obtain assistance from subordinates.

Step 1: Evaluate the assertion Assertion (A) is true. An organisation may choose a greater or smaller degree of decentralisation according to its needs. Management is not compelled to disperse authority systematically throughout the organisation.

Step 2: Evaluate the reason Reason (R) is also true: decentralisation is undertaken at the discretion of top management. The top managers decide the extent to which decision-making powers are distributed to lower levels.

Step 3: Test the explanatory connection The reason explains the assertion. Since top management can decide whether and how far to decentralise, decentralisation is an optional policy decision. Option (B) incorrectly denies this explanatory link. Options (C) and (D) wrongly treat one of the two true statements as false.

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

Quick Tip to Solve: For assertion-reason questions, judge each statement first, then ask whether the reason directly explains the assertion.

17. '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 zero-level channel is a direct channel in which the producer sells to the consumer without an independent intermediary.
- The level of a distribution channel is determined by the number of intermediaries, not by whether the sale takes place online or in a physical store.

Step 1: Trace the seller-to-buyer link The case states that customers buy through the company website

and also "from the company showroom". Both outlets belong to Lens-o itself, so the company sells directly to its customers.

Step 2: Count the intermediaries No independent retailer, wholesaler or agent stands between Lens-o and the final consumer. The company-owned showroom does not become a separate intermediary simply because it is offline. One-, two- and three-level channels require one, two and three intermediary levels respectively, none of which is mentioned in the case.

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

Quick Tip to Solve: Count independent intermediaries; a producer-owned website or showroom still provides direct distribution.

18. 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:

- Financial markets connect savers who supply funds with business enterprises and other users who require investment finance.
- The allocative function directs available savings towards the investment opportunities expected to use them most productively.

Step 1: Identify the action described The question states that funds are "directed" into the "most productive investment opportunity". This concerns choosing where available investment funds should go, which is allocation of financial resources.

Step 2: Compare the alternatives The precise term is allocative function. "Creative" does not describe the distribution of existing savings. "Exchange" refers generally to transactions, rather than selecting the use of funds. "Productive" describes the quality of the investment opportunity; it is not the name of this financial-market function.

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

Quick Tip to Solve: When funds are directed towards their best use, identify allocation; focus on the action, not merely the word productive.

19. 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 it requires managers to think in advance and consider new ways of achieving objectives.
- An idea becomes useful for a business when it is developed into a practicable plan and implemented.

Step 1: Identify the decisive case evidence During their discussion, the sisters "got a new idea of starting a Cloud Kitchen". The case further says, "The idea took the shape of a concrete plan". These lines highlight the emergence and development of an innovative business idea through planning.

Step 2: Distinguish the other benefits The case does not focus on forecasting uncertain events or reducing their risk, so (A) is not the highlighted point. It provides no performance standards or comparisons with actual results, ruling out (C). It also does not describe eliminating duplicated work or wasteful operations, which would support (D). The new cloud-kitchen idea directly supports (B).

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

Quick Tip to Solve: In a case about planning, match the quoted evidence to the benefit: a new idea becoming a plan signals innovation.

20. 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 entrusting responsibility and necessary authority to subordinates so that work can be performed with their assistance.
- A manager can distribute assigned work to subordinates while retaining responsibility for the overall results.

Step 1: Identify Sushant's action Sushant "decided to divide the work assigned to him, among three of his subordinates". He retained the part he could perform effectively and obtained help with the remaining work. This is delegation of work to subordinates.

Step 2: Separate related concepts Decentralisation is a broader organisational policy of systematic dispersal of authority, whereas this case concerns an individual manager assigning portions of his project. Accountability is the obligation to answer for results; authority is the right to command and decide. They are associated with delegation but do not name the complete process Sushant used.

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

Quick Tip to Solve: An individual manager handing portions of assigned work to subordinates indicates delegation; organisation-wide dispersal indicates decentralisation.

21. 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:

- Planning involves deciding in advance what is to be done and how it is to be done. Different plans specify the desired end result and the broad approach for achieving it.
- An objective states the result management seeks to achieve; a strategy is a comprehensive plan for accomplishing organisational objectives in the light of the business environment.

Step 1: Identify the objective from the stated target **Objective:** The relevant line is: "He set a target of earning a modest 10% return on investment in the first year." An objective is the end result towards which the activities of an organisation are directed. Here Neel specifies both a measurable result, a 10% return on investment, and a period, the first year. This target provides direction for the bakery's activities and a standard against which its eventual performance can be compared. It tells us what Neel wants to achieve rather than the detailed means of achieving it.

Step 2: Identify the strategy from the long-term direction **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 provides the broad contours of the organisation's business. It involves determining long-term objectives, adopting a course of action and allocating the resources needed to achieve those objectives. The later decisions about charging a higher price and advertising products indicate how the bakery would compete and market its products in pursuit of its objectives. These decisions support its overall strategic direction.

Step 3: Conclusion The two types of plans are **objective**, reflected in the first-year return target, and **strategy**, reflected in the plan defining the bakery's long-term direction and scope.

Quick Tip to Solve: Link a quantified target and deadline to an objective; link long-term direction, scope and the broad course of action to a strategy.

22(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 to ensure its orderly functioning and protect investors.
- Regulatory functions involve establishing and enforcing requirements for market institutions and intermediaries. They differ from developmental activities such as training intermediaries.

Step 1: State the rules governing market intermediaries **Registration of brokers and other players in the market:** SEBI registers stockbrokers, sub-brokers and other intermediaries operating in the securities market. Registration brings these participants within its regulatory framework and makes them subject to prescribed eligibility requirements and rules of conduct. This enables SEBI to supervise their activities rather than leaving the provision of securities-market services unregulated.

Step 2: State the supervision of collective investment schemes **Registration and regulation of collective investment schemes:** SEBI registers and regulates collective investment schemes and mutual funds. Such schemes pool money from investors, so their operations must follow the regulatory requirements laid down for them. This function places their activities under supervision and requires them to operate within the prescribed framework.

Step 3: State the oversight of stock exchanges **Calling for information, inspection, inquiries and audits:** SEBI calls for information from stock exchanges and intermediaries and undertakes inspections, inquiries and audits. Through these measures it checks whether the regulated bodies comply with the applicable requirements and can identify irregularities in their functioning. This is an enforcement and monitoring function, rather than simply an activity to expand participation in the market.

Step 4: Conclusion Three regulatory functions are registration of market intermediaries, registration and regulation of collective investment schemes and mutual funds, and calling for information and undertaking inspections, inquiries and audits of stock exchanges and intermediaries.

Quick Tip to Solve: For regulatory functions, choose actions involving registration, rules and supervision; keep training programmes under developmental functions.

OR

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

Solution:

Concept:

- SEBI was established to protect the interests of investors and to promote the development and regulation of the securities market.
- Its objectives describe the outcomes it seeks for the market. These should be distinguished from individual regulatory or protective actions through which those outcomes are pursued.

Step 1: State the objective of regulating the market **Regulate stock exchanges and the securities industry:** SEBI seeks to promote the orderly functioning of stock exchanges and the securities industry as a whole. A securities market needs a clear framework within which its institutions and participants operate. Regulation helps make dealings systematic and supports the smooth functioning of the market through which securities are issued and traded.

Step 2: State the objective of protecting investors **Protect the rights and interests of investors:** SEBI aims to safeguard investors, particularly individual investors, and to guide and educate them. Investors provide funds to the market and need protection against practices that harm their interests.

Guidance and investor education also help them understand securities-market dealings and make informed decisions, strengthening their confidence in market institutions.

Step 3: State the objective of preventing unfair practices **Prevent trading malpractices:** SEBI seeks to prevent trading malpractices and achieve a balance between self-regulation by the securities industry and statutory regulation. Fair market conduct cannot depend only on the voluntary actions of participants; an effective statutory framework must also exist. This balance helps curb abuses while encouraging market bodies to observe appropriate standards in their own operations.

Step 4: Conclusion Three objectives of SEBI are orderly regulation of stock exchanges and the securities industry, protection and education of investors, and prevention of trading malpractices through a balance of self-regulation and statutory regulation.

Quick Tip to Solve: State SEBI's objectives as desired outcomes: orderly markets, protected investors and fair trading. Do not substitute a list of registration procedures.

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

Solution:

Concept:

- Controlling is the management function of comparing actual performance with predetermined standards, finding deviations and taking corrective action.
- Its importance lies in keeping activities directed towards organisational objectives and ensuring that resources are used effectively and efficiently.

Step 1: Explain how control keeps performance on target

- **Accomplishing organisational goals:** Controlling measures progress towards the organisation's goals and brings to light deviations from the intended course of action. Managers can then identify their causes and take corrective action. By guiding activities back towards the standards established in the plan, control helps the organisation achieve its objectives rather than merely record what has gone wrong.

Step 2: Explain how control improves standards and resource use

- **Judging accuracy of standards:** An effective control system enables managers to verify whether the standards set are accurate and objective. It reviews standards in the light of changes in the organisation and its environment, so that performance is judged against realistic benchmarks.
- **Making efficient use of resources:** Controlling checks whether work is performed according to predetermined standards. Deviations reveal wastage or misuse of physical, financial and human resources. Correcting these deviations reduces wastage and spoilage and helps obtain the intended output with an economical use of resources.

Step 3: Conclusion Three points of importance of controlling are accomplishing organisational goals, judging the accuracy of standards and making efficient use of resources. Each supports better performance by turning comparison with standards into appropriate managerial action.

Quick Tip to Solve: Explain each importance point through what control checks and the benefit it produces; a heading alone does not explain its importance.

OR

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

Solution:

Concept:

- Planning determines the objectives and the course of action to achieve them; controlling measures actual performance against the standards provided by those plans.
- Planning and controlling are interdependent and inseparable functions. Together they connect intended results, actual results and improvements in future action.

Step 1: Explain why plans give control its basis

- **Planning is a prerequisite for controlling:** Plans establish the standards against which actual performance is measured. Without a plan, a manager has no desired result with which to compare actual performance and cannot determine whether a deviation has occurred. Thus, controlling is meaningful only when the targets and methods have first been decided through planning.

Step 2: Explain why plans require control and feedback

- **Controlling is necessary for effective planning:** Merely preparing a plan does not ensure that employees implement it or that the intended results are achieved. Control checks implementation, detects deviations and initiates corrective action. A plan without this follow-up cannot reliably guide the organisation towards its objectives.
- **Both are forward-looking and backward-looking:** Planning looks ahead to future action, while using past experience to make realistic plans. Controlling examines performance that has already occurred, but its purpose is to improve future performance through corrective action. Information obtained through control therefore becomes a basis for revising standards and preparing better future plans.

Step 3: Conclusion Planning provides the basis for controlling, controlling ensures that plans are implemented, and feedback from control improves future planning. The two functions therefore complete and reinforce each other in the management process.

Quick Tip to Solve: Link the functions as standards from plans, comparison through control, and feedback into the next plan; this explains their relationship clearly.

24. 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 compares actual performance with planned standards, analyses deviations and enables corrective action to achieve organisational objectives.
- The case illustrates making efficient use of resources: an investigation finds that excessive staffing has raised production costs. The question asks for other importance points in addition to identifying the function.

Step 1: Identify the management function from the case **(i) Controlling:** The function is controlling. The case compares the estimated cost of Rs 500 per pair with the actual cost of Rs 600 per pair. The words "he tried to find out the reason" and the appointment of Abhay to "find out the cause" show analysis of a deviation from the planned cost standard. Abhay's finding that the target could be completed with "only 800 workers" exposes overmanning and inefficient use of human resources.

Step 2: State two other points of importance **(ii) Accomplishing organisational goals:** Controlling measures progress towards organisational objectives and brings deviations to light. It indicates where corrective action is needed and guides activities back towards the desired results, thereby helping the organisation achieve its goals.

Judging accuracy of standards: A good control system enables management to verify whether the standards set are accurate and objective. By reviewing standards in the light of changes in the organisation and its environment, it helps maintain suitable benchmarks for evaluating performance.

These are separate from making efficient use of resources, which is the importance point already illustrated by the discovery of excess workers in the case.

Step 3: Conclusion The function is controlling. Two other points of its importance are accomplishing organisational goals and judging the accuracy of standards; the case itself illustrates making efficient use of resources.

Quick Tip to Solve: A comparison of planned and actual costs followed by investigation signals controlling. When asked for other importance points, exclude the resource-efficiency point already illustrated.

25. 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 the extent and nature of competition in the market.
- Product cost provides the basis for recovering expenditure and earning a margin, while competitors' prices and offers influence the price buyers will accept.

Step 1: Identify and explain product cost **Product cost:** The case states that the garments used "good quality fabric with intricate designs and skilled craftsmanship, making them expensive to produce." It also says that the price would "cover the cost of production and sale of garments as well as give him 10% margin over and above the cost." These statements identify product cost as a pricing factor.

The cost of producing, distributing and selling a product must be considered when fixing its price. Costs include fixed costs, which do not vary with output in the short run, and variable costs, which vary with the level of production. In the long run, the price should recover the total cost and provide a reasonable profit. Ashwin therefore uses the costs of making and selling the garments as the base and adds the stated margin.

Step 2: Identify and explain competition in the market **Extent and nature of competition in the market:** The evidence is: "Realizing that the online market is very competitive, he decided to charge a reasonable price for the garments." Ashwin must take competing sellers and their offers into account rather than decide the price solely from his own costs.

Between the cost-based lower limit and the upper limit influenced by buyers' willingness to pay, competition helps determine the actual price. Competitors' prices and the quality and features of their products must be examined. Intense competition restricts the freedom to charge a high price because customers can turn to alternatives. This explains Ashwin's decision to keep the garments reasonably priced despite their costly production.

Step 3: Conclusion The two factors are **product cost**, shown by recovery of production and selling costs plus a 10% margin, and **extent and nature of competition in the market**, shown by the competitive online market and the decision to charge a reasonable price.

Quick Tip to Solve: Link each pricing factor to its own case evidence: cost recovery and margin indicate product cost; rival sellers and a competitive market indicate competition.

26(a). Explain 'Promotions' and 'Transfers' as internal sources of recruitment. [4 marks]

Solution:

Concept:

- Internal recruitment fills vacancies by using employees already working in the organisation. Promotions and transfers are its two principal sources.
- A promotion moves an employee upward in the organisational hierarchy, whereas a transfer shifts an employee between jobs or units at broadly the same level.

Step 1: Explain promotions **Meaning of promotion:** Promotion means shifting an employee to a higher position carrying greater responsibilities, higher status and normally higher pay. A suitable existing employee is appointed to the higher post rather than recruiting an outsider for that vacancy.

Role as an internal source: A vacancy at a higher level is filled by upgrading an employee from a lower position. That employee's previous post becomes vacant, so a promotion may create a chain of vacancies at lower levels. The organisation can use the employee's experience and its knowledge of the employee's performance when making the appointment. The prospect of upward advancement also motivates employees to improve performance and develop their abilities.

Step 2: Explain transfers **Meaning of transfer:** Transfer involves shifting an employee from one job, department, branch or shift to another without a substantive change in responsibilities and status. It is a horizontal movement and does not ordinarily involve an increase in pay or rank.

Role as an internal source: An organisation may transfer an employee from a department with surplus staff to one facing a shortage, thereby filling the latter's vacancy from within. Transfers help balance staffing requirements across units. They may also broaden employees' experience by exposing them to different jobs, or place an employee in work better suited to the employee's abilities. Unlike promotion, the essential feature is movement at approximately the same organisational level, rather than advancement to a higher post.

Step 3: Conclusion Promotions fill higher-level vacancies through upward movement of existing employees, with greater responsibility and status. Transfers fill vacancies through horizontal movement between jobs or units, normally retaining the employee's level of responsibility, status and pay.

Quick Tip to Solve: Remember the direction of movement: promotion is upward to a higher post; transfer is sideways to another job or unit at a comparable level.

OR

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

Solution:

Concept:

- Internal recruitment fills vacancies from among the organisation's existing employees, chiefly through promotions and transfers.
- Although internal sources improve morale and use known employees, exclusive reliance on them limits the organisation's choice and can weaken its human resources.

Step 1: State the limitations concerning talent and effort

- **No scope for fresh talent:** When vacancies are filled only from within, people from outside do not get an opportunity to enter the organisation. As a result, the organisation is deprived of new ideas, different experiences and fresh talent that outsiders could bring.
- **Employees may become lethargic:** If employees expect promotion mainly because they are already in the organisation, rather than because they compete with capable outside applicants, they may become complacent. The absence of external competition can reduce their incentive to improve performance and acquire new skills.

Step 2: State the limitations concerning choice and competition

- **Limited choice:** Internal recruitment restricts the field of selection to the employees currently available. A vacancy may require specialised knowledge or abilities that none of them possesses. Thus, the organisation may be unable to select the most suitable person from the wider labour market.
- **Reduced competitive spirit:** Competition among employees can be weakened when recruitment is confined to insiders. Employees do not face the challenge of competing with a wider pool of candidates, which may discourage the effort needed to maintain high standards of performance.

Step 3: Conclusion Four limitations are the exclusion of fresh talent, the possibility of employees becoming lethargic, limited choice of candidates and reduced competitive spirit among employees. These limitations explain why an organisation should not rely exclusively on internal sources for every vacancy.

Quick Tip to Solve: For internal recruitment, ask who is excluded and how assured advancement may affect existing employees: outsiders' talent, choice, effort and competition provide four distinct points.

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

(i) Growth prospects

(ii) Diversification [4 marks]

Solution:

Concept:

- Fixed capital refers to the investment of funds in long-term assets such as land, buildings, plant and machinery. These assets support business operations over several accounting periods.
- The fixed capital requirement depends on the scale and pattern of future operations. Expansion and entry into new activities can increase the long-term assets a business must acquire.

Step 1: Explain the effect of growth prospects **(i) Growth prospects:** An organisation with higher growth prospects generally requires more fixed capital. If it expects a substantial increase in demand and plans to expand production, its present capacity may be insufficient. It may therefore need additional plant and machinery, larger premises and other fixed assets to meet the anticipated increase in business.

For example, a manufacturer planning to increase its production capacity would need to invest in extra machines and factory facilities. Consequently, it must arrange larger long-term funds. A firm

with limited growth prospects and no major expansion plans generally requires less additional fixed capital because it can continue using its existing capacity.

Step 2: Explain the effect of diversification **(ii) Diversification:** Diversification means entering new business activities or adding new products to the existing business. Such a decision generally increases the requirement of fixed capital because the new activity may need its own production facilities, equipment and infrastructure.

For example, a textile company deciding to manufacture cement would have to establish the plant and machinery appropriate to cement production; its existing textile machines cannot perform that task. Thus, adding a new line of business usually calls for additional investment in long-term assets and increases the need for fixed capital. The amount required depends on the facilities needed and the extent to which existing assets can be used.

Step 3: Conclusion Strong growth prospects increase fixed capital needs by creating a requirement for additional capacity. Diversification generally increases them by creating a requirement for assets for new products or business activities. Both decisions must therefore be considered when estimating the firm's long-term funding needs.

Quick Tip to Solve: Link growth to additional capacity in the existing business, and diversification to assets for a new activity. In each case, explain why more long-term assets require more fixed capital.

OR

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

(i) Stock market reaction

(ii) Access to capital market [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 for investment.
- Financial Management: the decision must consider shareholders' expectations as well as the company's ability to obtain funds for future requirements.

Step 1: Explain stock market reaction **Stock market reaction:** Investors generally view an increase in dividend as good news and share prices tend to react positively to it. Conversely, a decrease in dividend may have a negative impact on the share price. Therefore, management must consider the likely effect of its dividend decision on the market value of the company's shares.

A company should avoid announcing an increase merely to please investors if it cannot sustain that dividend subsequently. In deciding the amount, management considers the market's expectations and the possible reaction to a change in the existing dividend policy. Thus, the expected response of investors influences the proportion of earnings distributed.

Step 2: Explain access to the capital market **Access to capital market:** Large and reputed companies generally have easy access to the capital market and can raise funds when required. Such companies

can afford to pay higher dividends because they are less dependent on retained earnings to finance their investment needs.

In contrast, smaller companies or companies with limited access to the capital market may find it difficult to obtain external funds. They therefore tend to retain a larger proportion of their earnings and pay lower dividends so that internal funds remain available for future financing. The relevant factor is the ease of raising funds, rather than the existence of profit alone.

Step 3: Conclusion Stock market reaction influences dividends through their likely effect on investors and share prices. Access to the capital market influences the need to retain profits: easier access permits a higher dividend, while restricted access encourages greater retention.

Quick Tip to Solve: Link stock market reaction to share-price expectations and capital-market access to dependence on retained earnings; state the direction of the effect in each case.

28. 'The stock exchange performs many vital functions in today's commercial world.' Explain any four such functions. [4 marks]

Solution:

Concept:

- A stock exchange is an institution that provides a platform for buying and selling existing securities according to prescribed rules and regulations.
- Financial Markets: an organised secondary market supports investment by providing liquidity, enabling price discovery and directing savings towards productive uses.

Step 1: Explain liquidity and pricing of securities **1. Providing liquidity and marketability to existing securities:** A stock exchange creates a continuous market in which existing securities can be bought and sold. Investors can convert their investments into cash when they need funds. This gives investors the confidence to invest for the long term because they need not wait until a security matures to recover their money. A sale transfers ownership to another investor; it does not withdraw the company's capital.

2. Pricing of securities: Share prices on a stock exchange are determined by the forces of demand and supply. Continuous trading brings together buyers' and sellers' assessments of the company's prospects. The resulting prices provide useful information to investors, companies and the government and help in valuing investments at prevailing market prices.

Step 2: Explain safety and contribution to economic growth **3. Safety of transactions:** The stock exchange operates within a regulated legal framework. Its trading procedures and the dealings of members are governed by prescribed rules, and listed companies must comply with disclosure requirements. These measures promote fair dealing and protect investors against malpractices, although they do not eliminate the commercial risk of an investment or guarantee a profit.

4. Contributes to economic growth: Securities of different companies are bought and sold continuously. Through this process of disinvestment and reinvestment, savings can move towards more productive investment proposals. The evaluation of companies and the availability of a liquid market encourage capital formation and support economic growth.

Step 3: Conclusion Four vital functions of a stock exchange are providing liquidity and marketability, pricing securities, ensuring safety of transactions through regulation, and contributing to economic growth by facilitating productive allocation of funds.

Quick Tip to Solve: Use four distinct headings: liquidity, pricing, safety and economic growth. Explain how each function helps investors or the allocation of funds instead of merely listing its name.

29. '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:

- Business Environment: the social environment includes customs, traditions, values, social trends and society's expectations from business. Changing consumption habits are a social trend.
- Understanding the business environment helps in improving performance. Firms that continuously monitor their environment and adopt suitable business practices can improve present results and remain successful in the long run.

Step 1: Identify and explain the dimension **Social environment:** The case states that VBR Cinema recognised the "change in consumption habits of people" and replaced burgers, pizza and soft drinks with healthier food such as salads, smoothies, soups and anjeer-based sweets. This reflects a change in people's lifestyle and preferences towards healthier consumption. Social trends influence what customers regard as desirable and therefore affect demand for the products a business offers. By changing its menu in response to these preferences, the cinema adapted to its social environment. The relevant change is in consumer habits, rather than in a government policy or a new production technology.

Step 2: Identify and explain the importance **Helps in improving performance:** The cinema was "continuously monitoring the environment and adopting suitable business practices". Understanding the external environment enabled it to align its food offerings with customers' changing preferences, instead of continuing with an unsuitable menu. As the case records, its food revenue doubled within a month and it improved its revenues and profits. Continuous monitoring also helps the business keep adapting as conditions change, supporting its hope of succeeding in the market in the long run. Thus both the improvement in current results and the expectation of sustained success illustrate this point of importance.

Step 3: Conclusion The dimension is the **social environment**, shown by changing consumption habits. The point of importance is **helping in improving performance**, shown by higher revenue and profits through continuous environmental monitoring and suitable practices.

Quick Tip to Solve: Link changing lifestyles and consumption habits to the social environment; link continuous monitoring, better results and long-run success to improving performance.

30. '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:

- Directing: financial incentives are rewards with a monetary value, provided directly or indirectly, to motivate employees to improve their performance.
- Perquisites, retirement benefits, co-partnership or stock options, and bonus are distinct financial incentives. Identify each from the particular benefit described in the case.

Step 1: Explain the allowances and retirement provisions **1. Perquisites:** Inaya Ltd. offers "car allowance, medical aid and allowance for children's education" to employees above the Manager's level. Perquisites are benefits provided in addition to basic salary and wages. By meeting expenses such as transport, healthcare and education, they improve employees' standard of living and make their employment package more attractive, encouraging better performance.

2. Retirement benefits: The company "regularly contributes towards the Employees' Provident Fund and pays gratuity on retirement". These benefits provide financial security after retirement. Knowing that a fund and retirement payment will be available reduces employees' concern about their future income and encourages them to remain committed to the organisation.

Step 2: Explain the share scheme and annual payment **3. Co-partnership/stock option:** Employees are offered shares of Inaya Ltd. "at a set price which is lower than the market price". Under this incentive employees can acquire an ownership interest in their company on favourable terms. Being part-owners creates a sense of belonging and encourages them to contribute to the company's growth, since improved company performance can also benefit them as shareholders.

4. Bonus: The company keeps aside funds each year "to pay one percent of base salary as bonus".

Bonus is an incentive offered over and above regular salary or wages. This additional monetary reward supplements employees' income and motivates them to work effectively. Here the payment is explicitly described as a bonus calculated on base salary; it is not a share of profits distributed under a profit-sharing scheme.

Step 3: Conclusion Inaya Ltd. motivates its employees through four financial incentives: **perquisites, retirement benefits, co-partnership/stock options and bonus**. Together they provide present benefits, future security, ownership participation and additional income.

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

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 integrating the activities of different departments and individuals so that they work together towards organisational goals. It is the essence of management because it is required in every managerial function.
- The case highlights four features: coordination is a deliberate function, is a continuous process, ensures unity of action, and integrates group efforts. Each feature can be linked to Nalini's actions rather than merely listed as a definition.

Step 1: Identify deliberate and continuous coordination **Coordination is a deliberate function:** The case states, "She coordinates the efforts of her staff in a conscious and deliberate manner". Coordination does not arise automatically merely because people work in the same enterprise. A manager consciously brings their efforts together, balances different interests and directs them towards common objectives. Nalini intentionally arranges staff efforts and prepares in advance for seasonal demand.

Coordination is a continuous process: The supporting line is, "her coordination with all departments of the organization begins at the planning stage and continues till controlling". Coordination is required throughout the management process, rather than as a single activity performed once. Nalini plans demand in June, ensures the necessary workforce, briefs marketing and monitors progress,

maintaining coordination as work moves from plans to implementation and control.

Step 2: Explain unity of action and integration of group efforts **Coordination ensures unity of action:** The case states, "This acts as a binding force between the departments and ensures that all action is aimed at achieving organizational goals." Coordination links the activities of different departments and ensures that their actions move in the same direction. Thus, marketing campaigns, workforce arrangements and the operations of the outlets support the same business objectives instead of becoming isolated departmental activities.

Coordination integrates group efforts: The evidence is, "Nalini is able to give a common focus to group effort". Different employees and departments perform different specialised tasks. Coordination unifies these diverse efforts into purposeful activity and gives the group a common focus. In Nalini's business, the staff and departments work together to meet wedding-season demand and keep the business performing according to plan.

Step 3: Conclusion The concept is **coordination**. The four features illustrated are its deliberate nature, continuity, unity of action and integration of group efforts. Nalini consciously links the work of her staff and departments throughout the management process to achieve organisational goals.

Quick Tip to Solve: In a coordination case, match "conscious" with deliberate action, "planning till controlling" with continuity, "same goals" with unity of action and "common focus to group effort" with integration.

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

(i) Fatigue study

(ii) Differential piece wage system

(iii) Standardisation and simplification of work [6 marks]

Solution:

Concept:

- F.W. Taylor's scientific management uses scientific investigation in place of rule-of-thumb methods to improve efficiency. Its techniques examine work, establish suitable standards and provide incentives for improved performance.
- Fatigue study concerns rest intervals, differential piece wages connect payment with efficiency, and standardisation and simplification establish consistent methods while eliminating unnecessary variety.

Step 1: Explain fatigue study **Purpose:** Fatigue study determines the amount and frequency of rest intervals needed by workers while completing a task. Continuous work without suitable breaks causes physical or mental fatigue, which reduces efficiency and may increase errors or accidents.

Method and benefit: Scientific observation considers the nature of the task and causes of fatigue, such as long working hours, unsuitable working conditions or lack of cooperation. Appropriate rest pauses are then built into the work schedule. They allow workers to regain energy and resume work efficiently. The aim is to maintain productive effort and improve output, rather than simply lengthening the hours spent at work.

Step 2: Explain the differential piece wage system **Two payment rates:** Taylor suggested a higher

piece rate for efficient workers who achieve or exceed the scientifically established standard of output, and a lower piece rate for workers who fall below it. Payment is based on the number of units produced, with the applicable rate determined by performance against the standard.

Incentive effect: For example, if the daily standard is 10 units, the rate could be Rs 50 per unit for reaching the standard and Rs 40 per unit for falling short. A worker producing 10 units earns Rs 500, whereas one producing 9 units earns Rs 360. This illustrative difference rewards efficiency and motivates workers to improve performance and reach the standard. It distinguishes efficient and inefficient workers instead of paying both the same rate.

Step 3: Explain standardisation and simplification of work **Standardisation:** It means establishing standards for every business activity, including processes, raw materials, time, machinery, products and working conditions. The standards provide benchmarks against which actual performance can be assessed. They help maintain consistent quality and working methods, reduce avoidable variation and make efficient production easier to organise.

Simplification: It aims at eliminating superfluous varieties, sizes and dimensions of products. Instead of producing numerous unnecessary variants, a business concentrates on a suitable limited range. This reduces inventories of materials and finished goods, makes fuller use of equipment and can lower production costs. Thus, standardisation establishes consistent benchmarks, while simplification removes unnecessary diversity; the two techniques support each other.

Step 4: Conclusion Fatigue study improves efficiency through scientifically planned rest intervals; differential piece wages reward workers who meet the output standard with a higher rate; and standardisation and simplification improve consistency while eliminating unnecessary variety. These are Taylor's techniques for improving the efficiency of work.

Quick Tip to Solve: Keep the techniques distinct: fatigue study determines rest pauses, differential piece wages determine incentive rates, standardisation fixes benchmarks and simplification reduces unnecessary varieties.

OR

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

(i) General guidelines

(ii) Cause and effect relationship

(iii) Universal applicability [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They help managers apply accumulated knowledge to practical situations.
- They deal with human behaviour and changing business conditions. Their application therefore requires judgement rather than the mechanical use of a fixed rule.

Step 1: Explain general guidelines **General guidelines:** Management principles provide broad guidance for solving managerial problems; they do not provide ready-made solutions to every

problem. Real business situations are complex and dynamic, and several factors can influence the same decision. A manager must therefore interpret a principle in the light of the circumstances and use experience and judgement to decide how to apply it. For example, the principle of fair remuneration guides a wage decision, but the precise wage also depends on the nature of the job, the organisation's capacity to pay and prevailing wage rates. Thus the principle indicates the direction of action without prescribing one identical action in every organisation.

Step 2: Explain the cause and effect relationship **Cause and effect relationship:** Management principles seek to establish a relationship between a managerial action, the cause, and its likely outcome, the effect. They help managers anticipate the probable consequences of decisions. For example, division of work develops specialisation, which can improve efficiency, while unity of command helps prevent confusion caused by conflicting orders. However, these relationships are not as exact as those in the physical sciences because people react differently and business circumstances change. The same action may therefore produce somewhat different outcomes in different situations; the principles explain likely relationships rather than guaranteeing an invariable result.

Step 3: Explain universal applicability **Universal applicability:** Management principles can be applied in all types of organisations, whether business or non-business, small or large, public or private. They are also relevant at different levels of management and in different functional areas. For instance, a school, a hospital and a manufacturing enterprise all need coordination and a clear allocation of responsibility. Nevertheless, the extent and manner of applying a principle depend on the nature, size and requirements of the organisation and the situation. Universal applicability therefore means broad relevance across organisations; it does not mean that every principle is used in exactly the same way everywhere.

Step 4: Conclusion Management principles offer general guidance, explain probable cause-and-effect relationships and have universal applicability. Their value lies in helping a manager make informed decisions while adapting their use to people, organisations and circumstances.

Quick Tip to Solve: For each feature, state its meaning and then its qualification: guidelines need judgement, effects are probable, and universal relevance still permits different applications.

33(a). 'The process of organising involves a series of steps in order to achieve the desired goals.' Explain these steps. [6 marks]

Solution:

Concept:

- Organising is the process of identifying and grouping the work to be performed, assigning duties and establishing authority relationships so that people can work together effectively towards organisational goals.
- Planning identifies what is to be achieved; organising translates those plans into a workable structure of jobs, departments and reporting relationships.

Step 1: Identify and divide the work **Identification and division of work:** The first step is to identify all the activities that must be performed to implement the plan. The total work is then divided into

manageable jobs so that unnecessary duplication is avoided and the burden can be shared among employees. For example, producing and selling garments involves purchasing fabric, cutting, stitching, finishing and selling. Separating these activities makes their requirements clear and permits employees to specialise in particular work, improving efficiency.

Step 2: Group similar activities into departments **Departmentalisation:** After work has been divided, activities of a similar nature are grouped together. This grouping facilitates specialisation and coordination within each unit. Departments can be created on different bases according to the organisation's needs, such as functions, products or territories. For example, purchasing activities may form a purchase department, production activities a production department, and selling activities a sales department.

Step 3: Assign duties to suitable people **Assignment of duties:** The work of each department is allocated to individual employees. Jobs should be clearly defined and assigned according to employees' knowledge, skills, experience and abilities, so that the right person is placed on the right job. Each employee must know the particular task for which he or she is responsible. For example, a person trained in accounting can be assigned preparation of financial records rather than machine maintenance. Clear assignment prevents neglect of work and makes individual responsibility identifiable.

Step 4: Establish authority and reporting relationships **Establishing authority and reporting relationships:** Finally, the organisation specifies who has authority over whom and who will report to whom. Employees need to know from whom they will receive instructions and to whom they are accountable for performance. These relationships connect the separate jobs and departments into a coordinated structure, facilitate communication and help prevent confusion about instructions. For example, production workers may report to a production supervisor, who in turn reports to the production manager.

Step 5: Conclusion The organising process proceeds through identification and division of work, departmentalisation, assignment of duties, and establishment of authority and reporting relationships. Together these steps convert the organisation's plans into a clear framework for coordinated action towards its desired goals.

Quick Tip to Solve: Remember the sequence as work, groups, people and relationships: identify the tasks, group them, assign them, and clarify who reports to whom.

OR

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

Solution:

Concept:

- Planning 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 of an organisation.
- Planning is an intellectual process of setting objectives and selecting suitable courses of action. Its

features describe how this managerial function operates, rather than merely listing its benefits.

Step 1: Explain the focus on objectives and the primacy of planning

- **Planning focuses on achieving objectives:** Organisations establish specific goals, and every plan specifies the activities and methods needed to attain them. Planning gives purposeful direction to action: resources and effort are committed to activities that contribute to the intended results. A plan is therefore meaningful only in relation to the objectives it helps achieve.
- **Planning is a primary function of management:** Planning precedes organising, staffing, directing and controlling. Managers must first decide what is to be accomplished before deciding which activities to group, which people to appoint and how to guide them. Plans also supply the standards against which actual performance is compared in controlling. Thus, planning provides the basis for the other management functions.

Step 2: Explain the pervasiveness and continuity of planning

- **Planning is pervasive:** Planning is required in every department and at every level of management. Its scope differs: top management prepares plans for the organisation as a whole, middle management prepares departmental plans, and supervisory management plans day-to-day operations. All these plans must support the overall organisational objectives.
- **Planning is continuous:** Plans are prepared for a definite period, which may be a day, a month, a year or longer. When that period ends, fresh plans are required. Managers also review existing plans as conditions change and use experience from previous plans when preparing new ones. Consequently, planning is an ongoing cycle of preparation, implementation, review and renewed planning.

Step 3: Conclusion The four features are focus on objectives, primacy among management functions, pervasiveness across levels and departments, and continuity over time. Together they show that planning guides all managerial activity towards predetermined goals.

Quick Tip to Solve: For a features question, explain what planning is like: goal-focused, primary, pervasive and continuous. Do not replace these features with advantages such as reducing risk or avoiding waste.

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 recognises both the rights that protect a buyer's interests and the responsibilities that enable the buyer to make informed purchases and support a complaint with evidence.
- The right to choose concerns access to a variety of products at competitive prices. The right to seek redressal concerns obtaining appropriate relief against defective goods, deficient services and unfair trade practices.
- A responsible consumer should buy standardised goods as an assurance of quality and obtain a cash memo as documentary evidence of the transaction.

Step 1: Identify and explain the two consumer rights

- **Right to choose:** A consumer has the right to choose from a variety of products at competitive prices, with access to alternatives in quality, quantity and service. In the case, Ashish decided to visit "various stores selling electronic items to check the available varieties of different brands". This search for alternatives illustrates his opportunity to compare available televisions and select the one that best meets his needs and budget.
- **Right to seek redressal:** A consumer has the right to seek appropriate relief against defective goods, deficient services and unfair trade practices. Relief may include replacement, removal of a defect, refund or appropriate compensation, depending on the complaint. The case states that the TV "started malfunctioning within a month" and that Ashish "decided to file a complaint in the Consumer Court against the manufacturer". His decision to approach the consumer forum after replacement was refused illustrates this right; the manufacturer's refusal does not by itself settle the merits of his complaint.

Step 2: State the two responsibilities Ashish neglected

- **Buy standardised goods:** A consumer should purchase standardised products that provide assurance about quality, looking for the relevant quality certification, such as the ISI mark for electrical goods. Ashish bought the television "even when the TV was not having any standardisation mark on it". He therefore neglected this precaution despite the attraction of a low price.
- **Ask for and obtain a cash memo:** A consumer should insist on a cash memo or bill as proof of

purchase. It establishes details such as the seller, product, date and price and supports a claim when goods are defective. Although Ashish initially asked for it, he accepted the manufacturer's discouragement that it would "attract additional tax" and proceeded without obtaining the bill. He should have insisted on the documentary evidence rather than relying only on an oral promise of replacement.

Step 3: Conclusion The case illustrates the right to choose and the right to seek redressal. Ashish neglected the responsibilities of buying standardised goods and obtaining a cash memo, both of which help a consumer protect his interests when making a purchase.

Quick Tip to Solve: Match each case clue to its purpose: comparing brands indicates choice; approaching a consumer forum indicates redressal; a quality mark and a purchase bill are buying responsibilities.