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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. 'Bonfast Cement Ltd.' supports 7 villages with housing facilities, schools, safe drinking water, health and hygiene. The company sends its employees to visit a nearby village every 15 days to provide support and to see whether the facilities provided are being implemented on ground. The objective which 'Bonfast Cement Ltd.' is trying to achieve is : [1 mark]

(A) Personal objective

(B) Social objective

(C) Organizational objective

(D) Economic objective

Correct Answer: (B) Social objective

Solution:

Concept:

- Management has organisational, social and personal objectives. Social objectives concern the welfare of the community in which a business operates.
- Providing basic amenities and improving living conditions are ways in which an organisation fulfils its responsibility towards society.

Step 1: Identify the beneficiaries The case states that Bonfast Cement Ltd. 'supports 7 villages with housing facilities, schools, safe drinking water, health and hygiene'. These facilities benefit the surrounding community rather than only the owners or the employees.

Step 2: Classify the objective and eliminate alternatives The visits every 15 days check that community support is actually implemented. This demonstrates a social objective. Personal objectives concern employees' individual needs. Organisational objectives concern survival, profit and growth; economic objectives emphasise economic results. None describes the community-welfare activity as directly as social objectives.

Step 3: Conclusion Bonfast Cement Ltd. is pursuing a social objective by supporting village welfare. Hence, the correct option is (B).

Quick Tip to Solve: Identify who benefits: welfare facilities for the surrounding community point to a social objective.

2. _____ is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill, and give workers more autonomy and providing them opportunity for personal growth and a meaningful work experience. [1 mark]

(A) Job security

(B) Perquisites

(C) Employee recognition programme

(D) Job enrichment

Correct Answer: (D) Job enrichment

Solution:

Concept:

- Job enrichment is a non-financial incentive that makes work more meaningful by increasing its challenge, responsibility and autonomy.
- An enriched job uses higher knowledge and skill and gives an employee opportunities for personal growth.

Step 1: Match the defining features The phrases 'greater variety of work content', 'higher level of knowledge and skill' and 'more autonomy' describe a change in the nature and quality of the job itself. A meaningful work experience and personal growth are the intended results of job enrichment.

Step 2: Distinguish the other incentives Job security assures continued employment; it does not redesign work. Perquisites are additional benefits provided with employment. An employee recognition programme acknowledges achievement and appreciation. Neither recognition nor perquisites necessarily adds autonomy or higher-level responsibilities to a job.

Step 3: Conclusion The blank should be filled with Job enrichment. Hence, the correct option is (D).

Quick Tip to Solve: Look for responsibility, autonomy and meaningful work together: these are the identifying features of job enrichment.

3. Due to increasing presence of women in the workforce, 'Kisan Mart' comes out every Friday with big discount offers on daily use items to attract office-going women to shop on weekends.

Which dimension of business environment is being highlighted in the above case ? [1 mark]

(A) Social environment

(B) Legal environment

(C) Political environment

(D) Technological environment

Correct Answer: (A) Social environment

Solution:

Concept:

- The social environment includes social trends, values, customs and changes in the composition and roles of members of society.

- Increasing participation of women in the workforce changes consumer lifestyles and buying patterns, creating opportunities for businesses.

Step 1: Identify the external change The case explicitly begins with the 'increasing presence of women in the workforce'. This is a change in social roles and lifestyles. Kisan Mart responds by offering Friday discounts so office-going women can shop on weekends.

Step 2: Compare the dimensions The highlighted dimension is therefore the social environment. A legal change would concern laws or regulations, and a political change would concern government attitudes or political conditions. A technological change would involve innovations or new methods. The case identifies none of these as the reason for the offer.

Step 3: Conclusion The case highlights the social environment. Hence, the correct option is (A).

Quick Tip to Solve: Classify the change that prompted the business response; changing social roles belong to the social environment.

4. To motivate its employees on one side, 'Harshita Pearls' rewards them with increase in pay, promotion, recognition, etc. whereas on the other side it stops increments, gives punishment, threatens employees so that they may act in a desired manner.

Which feature of motivation is being highlighted in the above case ? [1 mark]

(A) Motivation is a complex process.

(B) Motivation is an internal feeling.

(C) Motivation can be either positive or negative.

(D) Motivation produces goal-directed behaviour.

Correct Answer: (C) Motivation can be either positive or negative.

Solution:

Concept:

- Motivation stimulates people to act in a desired manner. It may use positive inducements or negative measures.
- Positive motivation offers rewards such as pay increases, promotion and recognition; negative motivation uses fear of punishment or adverse consequences.

Step 1: Identify the positive and negative measures Harshita Pearls 'rewards them with increase in pay, promotion, recognition', which illustrates positive motivation. It also 'stops increments, gives punishment, threatens employees', which illustrates negative motivation.

Step 2: Select the feature directly demonstrated Using both rewards and threats shows that motivation can be either positive or negative. Complexity concerns the difficulty of understanding different people's motives; an internal feeling concerns needs and desires. Goal-directed behaviour is a general outcome of motivation, but the explicit contrast between rewards and punishment identifies option (C) most precisely.

Step 3: Conclusion The highlighted feature is that motivation can be either positive or negative. Hence, the correct option is (C).

Quick Tip to Solve: When a case pairs rewards with punishments or threats, identify positive and negative motivation.

5. 'Mudro Infratech' got a short-term contract for building two villas within a period of ten months with the expectation to earn a huge amount of profit. The Works Manager accepted this challenge and completed the work within the given time period. The profit of the company went up by 40% due to this temporary order. The Finance Manager was aware that the company would not earn this huge profit in the near future. So, he decided not to increase dividend per share as earnings for the year had gone up, but not the earning potential of the company. He also knew that this increase in earnings was temporary in nature.

The factor affecting Dividend Decision being highlighted above is : [1 mark]

(A) Cash flow position

(B) Shareholders' preference

(C) Growth opportunities

(D) Stability of dividends

Correct Answer: (D) Stability of dividends

Solution:

Concept:

- The dividend decision determines how much of earnings is distributed to shareholders and how much is retained by the company.
- Companies generally try to maintain stability in dividends. A rise in dividend is usually considered when higher earnings are sustainable, rather than the result of a temporary gain.

Step 1: Locate the reason for maintaining the dividend The case says that the profit increase arose from a 'temporary order' and that earnings had risen 'but not the earning potential of the company'. The manager therefore avoids increasing dividend per share on the basis of a one-off contract.

Step 2: Distinguish the other factors This is stability of dividends: the company seeks a dividend level that can be maintained. Cash flow position concerns cash available for payment; shareholders' preference concerns their desire for dividends or capital gains; growth opportunities concern retaining funds for future investment. The stated reason is the temporary nature of earnings, rather than any of these alternatives.

Step 3: Conclusion The factor highlighted is stability of dividends. Hence, the correct option is (D).

Quick Tip to Solve: A temporary profit rise without a lasting rise in earning potential points to maintaining dividend stability.

6. Raunaq, while studying at the university, felt that there should be a food joint in the university campus to provide food to students round the clock. After passing out of college, he set up 'Hunger Point', a food joint with a varied menu ranging from burgers, pizzas, street food and much more, in the university campus. For this, he obtained necessary permissions from the university administration. Since he was the first one to recognize the need for a food joint for all the students in an environment where students study day and night, it soon became a popular eating joint. Within six months, 'Hunger Point' started earning good profits.

Identify the point of importance of business environment discussed in the above case : [1 mark]

(A) It enables the firm to identify opportunities and get the first mover advantage.

(B) It helps the firm to identify threats and early warning signals.

(C) It helps in assisting in planning and policy formulation.

(D) It helps in improving performance.

Correct Answer: (A) It enables the firm to identify opportunities and get the first mover advantage.

Solution:

Concept:

- Understanding the business environment enables a firm to identify opportunities: favourable external trends or needs that it can use to its advantage.
- Recognising and acting on an opportunity before competitors can provide a first mover advantage.

Step 1: Identify the opportunity and early action Raunaq noticed a need for food 'round the clock' on the university campus. The case says that he was 'the first one to recognize the need for a food joint'. He acted by establishing Hunger Point with the necessary permissions, meeting an unmet student need.

Step 2: Choose the most specific importance The case directly demonstrates identifying opportunities and gaining the first mover advantage. It does not describe recognising a competitive threat or receiving an early warning signal. Planning and policy formulation are broader uses of environmental analysis. Improved performance appears in the profits earned, but the specific environmental insight emphasised is recognising the opportunity before others.

Step 3: Conclusion Environmental understanding enabled opportunity identification and the first mover advantage. Hence, the correct option is (A).

Quick Tip to Solve: An unmet need recognised and served before others is the key clue for opportunity identification and first mover advantage.

7. 'Maslow's Need Hierarchy theory' is based on certain assumptions. Identify the incorrect statement with respect to these assumptions : [1 mark]

(A) People's behaviour is based on their needs.

(B) A satisfied need can no longer motivate a person.

(C) People's needs are in a hierarchical order, starting from basic needs to higher level needs.

(D) A person moves to lower level of need only when a higher level need is satisfied.

Correct Answer: (D) A person moves to lower level of need only when a higher level need is satisfied.

Solution:

Concept:

- Maslow assumes that behaviour is based on needs arranged in a hierarchy from basic needs to higher-level needs.
- A satisfied need generally ceases to motivate, and satisfaction of a lower-level need permits the next higher-level need to become important.

Step 1: Check the statements against the hierarchy Option (A) correctly connects behaviour with needs. Option (B) correctly states the theory's assumption that a satisfied need can no longer motivate. Option (C) correctly arranges needs from basic to higher levels. These are all accepted assumptions of the theory as presented in the textbook.

Step 2: Identify the reversed relationship Option (D) says that a person moves to a lower level only when a higher-level need is satisfied. This reverses the progression assumed by the hierarchy. The theory states movement towards a higher-level need after the relevant lower-level need is satisfied. Because the question asks for the incorrect statement, the reversed statement must be selected.

Step 3: Conclusion Option (D) incorrectly reverses the direction of progression in the need hierarchy. Hence, the correct option is (D).

Quick Tip to Solve: Underline the word incorrect, then check the direction: satisfied lower needs lead towards higher needs in Maslow's hierarchy.

8. Niyati is working as a teacher in a school in Mansarovar Garden. She always tells the children at the school not to pollute the environment, and not to throw wrappers of chips and chocolates here and there. She always carries a bag with her to collect the wrappers and put them in the dustbin. By doing this, which responsibility of a consumer is she discharging : [1 mark]

(A) Reading labels carefully

(B) Asserting to get a fair deal

(C) Respecting the environment

(D) Being honest in the dealings

Correct Answer: (C) Respecting the environment

Solution:

Concept:

- Consumers should respect the environment and avoid activities that create pollution or unnecessary waste.
- Responsible consumption includes disposing of packaging properly and encouraging others to keep their surroundings clean.

Step 1: Identify the conduct in the case Niyati tells children 'not to pollute the environment' and 'not to throw wrappers of chips and chocolates here and there'. She also collects the wrappers and puts them in the dustbin. These actions directly concern the disposal of waste.

Step 2: Distinguish the responsibilities Collecting wrappers protects the surroundings, so it shows respect for the environment. Reading labels concerns product information; asserting a fair deal concerns fair treatment in purchases; being honest concerns truthful dealings. None of those is the action described here.

Step 3: Conclusion Niyati is discharging the responsibility of respecting the environment. Hence, the correct option is (C).

Quick Tip to Solve: When a case mentions litter, wrappers or waste disposal, connect the action with the responsibility to respect the environment.

9. Choose the incorrect statement with respect to demonetization : [1 mark]

(A) The two largest denomination notes of ₹ 500 and ₹ 1000 were demonetized with immediate effect, ceasing to be legal tender except for buying properties.

(B) The aim of this step was to curb corruption and accumulation of black money.

(C) It led to the tax administration channelizing savings into the formal financial system.

(D) Restrictions were placed on the convertibility of domestic money and bank deposits.

Correct Answer: (A) The two largest denomination notes of ₹ 500 and ₹ 1000 were demonetized with immediate effect, ceasing to be legal tender except for buying properties.

Solution:

Concept:

- Demonetisation withdraws the legal-tender status of specified currency notes; the question asks for the incorrect statement.
- The 2016 withdrawal of the existing Rs 500 and Rs 1,000 notes was intended to curb corruption and black money and encourage formal financial channels.

Step 1: Locate the false qualification Option (A) says that the notes ceased to be legal tender 'except for buying properties'. Buying property was not an exception that preserved their legal-tender status. This qualification makes the statement incorrect.

Step 2: Check the remaining statements Curbing corruption and accumulated black money was an aim, so (B) is correct. The move encouraged savings to enter the formal financial system, supporting tax administration, so (C) is correct. Restrictions on converting domestic money and bank deposits were also associated with the measure, so (D) is correct. As the question asks for the incorrect statement, these three are excluded.

Step 3: Conclusion The exception for buying properties in statement (A) is incorrect. Hence, the correct option is (A).

Quick Tip to Solve: In an incorrect-statement question, inspect qualifications such as "except": a single false exception can invalidate an otherwise familiar statement.

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

Assertion (A) : When the allocative function is performed well, scarce resources are allocated to those firms which have the highest productivity for the economy.

Reason (R) : Allocative function allocates or directs funds into their most productive investment opportunity. [1 mark]

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

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

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

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

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

Solution:

Concept:

- The allocative function of financial markets directs funds from savers towards the most productive investment opportunities.
- For an assertion-reason question, check the truth of both statements and then check whether the reason explains the assertion.

Step 1: Evaluate the assertion The assertion is true. When scarce funds flow to firms offering the most productive uses, those firms obtain resources for investment. Good allocation therefore supports the firms with the highest productivity for the economy rather than directing funds indiscriminately.

Step 2: Evaluate the reason The reason is also true. Directing funds into their most productive investment opportunity is precisely the meaning of the allocative function of financial markets.

Step 3: Establish the explanatory link The reason states the mechanism that produces the outcome in the assertion: directing funds to productive investments allocates scarce resources to highly productive firms. Thus (B) is ruled out because an explanatory link exists; (C) is ruled out because the reason is true; and (D) is ruled out because the assertion is true.

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 allocative-function questions, link "where funds go" with "which investments are most productive" before deciding whether the reason explains the assertion.

11. The legal framework in India requires the manufacturers to provide information about ingredients, date of manufacture, quantity, price, directions for use, etc., on the label of the product.

From the following, identify the consumer right that is satisfied by the firm by fulfilling the requirement :

[1 mark]

(A) Right to safety

(B) Right to be informed

(C) Right to be assured

(D) Right to be heard

Correct Answer: (B) Right to be informed

Solution:

Concept:

- The right to be informed gives consumers access to complete information about a product so that they can make an informed choice.
- Ingredients, quantity, price, date of manufacture and directions for use are examples of information supplied through labelling.

Step 1: Identify what the manufacturer supplies The firm provides information about 'ingredients, date of manufacture, quantity, price, directions for use'. These disclosures tell the consumer what is being bought and how it should be used.

Step 2: Match the right and reject the alternatives This satisfies the right to be informed, option (B). The right to safety concerns protection against hazardous goods, so (A) is not the direct right described. The right to be assured concerns access to a variety of goods and services at competitive prices, so (C) does not fit. The right to be heard concerns consideration of consumer interests and complaints, so (D) also does not fit.

Step 3: Conclusion The manufacturer satisfies the consumer's right to be informed. Hence, the correct option is (B).

Quick Tip to Solve: Label disclosures point to being informed; a complaint receiving attention points to being heard. Match the specific action described.

12. From the following, identify the one which is not a function of stock exchange : [1 mark]

(A) Providing liquidity and marketability to existing securities

(B) Spreading of equity cult

(C) Ensuring safety of transactions

(D) Ensuring that there is no scope for speculation

Correct Answer: (D) Ensuring that there is no scope for speculation

Solution:

Concept:

- A stock exchange provides a market for existing securities and supports liquidity, investor confidence and the spread of share ownership.
- It provides scope for speculative activity within a regulated framework; it does not eliminate all speculation.

Step 1: Check the recognised functions Option (A) is a function: investors can buy and sell existing securities, making them liquid and marketable. Option (B) is also a function: information and participation in share markets help spread the equity cult. Option (C) is a function because regulated dealings and prescribed procedures promote the safety of transactions.

Step 2: Identify the statement that goes too far Option (D) promises that there is 'no scope for speculation'. A stock exchange actually provides scope for speculation within legal and regulatory limits. Regulation seeks to control undesirable practices; it does not mean that every speculative transaction disappears. Therefore (D), rather than any of the recognised functions in (A), (B) or (C), answers the negative question.

Step 3: Conclusion Ensuring that there is no scope for speculation is not a function of a stock exchange. Hence, the correct option is (D).

Quick Tip to Solve: Watch absolute words such as "no scope": stock exchanges regulate speculation while still providing scope for it.

13. Statement I : Leadership indicates the ability of an individual which influences the behaviour of others.

Statement II : Leadership is exercised to achieve personal goals of the leader.

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

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

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

(C) Both the Statements are true.

(D) Both the Statements are false.

Correct Answer: (A) Statement I is true and Statement II is false.

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people so that they strive willingly towards organisational goals.
- A leader guides and motivates followers; the organisational purpose distinguishes leadership from using influence merely for personal benefit.

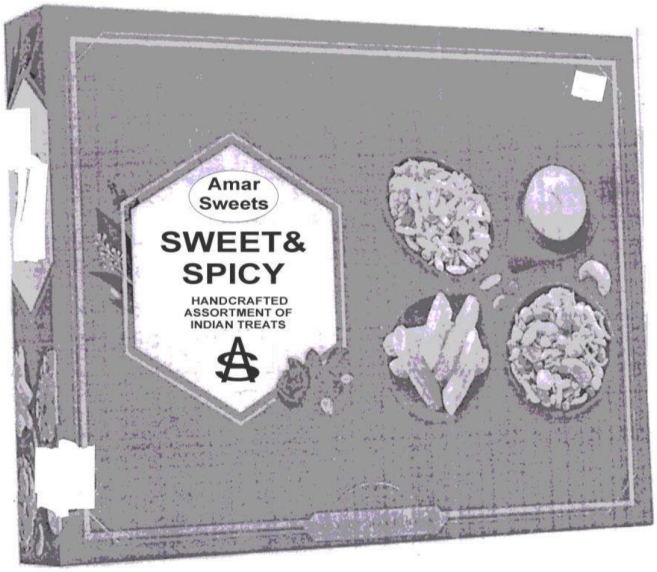
Step 1: Evaluate Statement I Statement I is true. Leadership does involve the ability to influence the behaviour of others. Influence encourages people to contribute willingly and gives direction to their efforts.

Step 2: Evaluate Statement II and select the combination Statement II is false. In management, leadership is exercised to achieve organisational goals, rather than the personal goals of the leader. Therefore (A) gives the correct combination. Option (B) reverses the truth values; (C) incorrectly accepts the personal-goals statement; and (D) incorrectly rejects the true statement about influencing behaviour.

Step 3: Conclusion Statement I is true and Statement II is false. Hence, the correct option is (A).

Quick Tip to Solve: In a leadership definition, check both influence and its purpose: influencing people must be directed towards organisational goals.

14. Identify from the following what is depicted in the given picture : [1 mark]



(A) Trade Mark only

(B) Brand Name only

(C) Brand Mark only

(D) Both Brand Name and Brand Mark

Correct Answer: (D) Both Brand Name and Brand Mark

Solution:

Concept:

- A brand name is the part of a brand that can be spoken, such as a word or name identifying the product.
- A brand mark is the recognisable visual element, such as a symbol, design or distinctive lettering. A trade mark is a brand or part of a brand given legal protection.

Step 1: Identify the spoken and visual elements The package displays the words 'Amar Sweets', which can be spoken and serve as a brand name. It also displays a distinctive stylised symbol below the wording, providing a visual brand mark. The picture therefore contains both a verbal identifier and a symbolic identifier.

Step 2: Compare all four options Option (B) is incomplete because it recognises only the name and ignores the symbol. Option (C) is incomplete because it recognises only the mark and ignores the name. Option (A), trade mark only, does not describe both visible elements and legal protection cannot be inferred merely from this package picture. Option (D) includes the brand name as well as the brand mark and fits the picture.

Step 3: Conclusion The picture depicts both a brand name and a brand mark. Hence, the correct option is (D).

Quick Tip to Solve: Separate what can be spoken from what is recognised visually: words identify the brand name, while a distinctive symbol identifies the brand mark.

15. In the _____ a securities account can be opened, all shares can be deposited in it. These can be withdrawn / sold at any time and instruction to deliver or receive shares on behalf of the investor can be given. [1 mark]

(A) Primary market

(B) Stock exchange

(C) Bank

(D) Depository

Correct Answer: (D) Depository

Solution:

Concept:

- A depository holds investors' securities in electronic form and maintains records of ownership.
- Through a depository participant, an investor operates a demat account and gives instructions for securities transfers.

Step 1: Identify the institution from its functions The clues are that all shares can be deposited in a securities account and instructions can be given to deliver or receive them. These are the custody and electronic transfer services of a depository, much as a bank maintains a money account.

Step 2: Eliminate the other institutions A primary market deals with the issue of new securities, while a stock exchange provides a platform for trading existing securities. A bank mainly accepts money deposits and lends funds; the institution specifically responsible for holding securities in dematerialised form is the depository.

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

Quick Tip to Solve: For a securities account used to hold and transfer shares electronically, think of a depository rather than the market where shares trade.

16. Statement I : The objective of financial management is to maximize shareholders' wealth.
Statement II : The shareholders gain if the value of shares in the market increases.
Choose the correct option from the following : [1 mark]

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

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

(C) Both the Statements are true.

(D) Both the Statements are false.

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

Solution:

Concept:

- Financial management aims at maximising shareholders' wealth, reflected in the market value of the company's equity shares.
- An increase in the market price of shares raises the value of the shareholders' investment.

Step 1: Evaluate Statement I Statement I is true. Financial decisions concerning investment, financing and dividend distribution are taken with the objective of maximising the current market value of equity shares, thereby maximising the owners' wealth.

Step 2: Evaluate Statement II and select the combination Statement II is also true: shareholders gain when the market value of their shares rises because their investment becomes more valuable. Therefore, (A) wrongly calls Statement II false, (B) wrongly calls Statement I false, and (D) incorrectly rejects both statements.

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

Quick Tip to Solve: Link wealth maximisation to share market value; do not confuse it with maximising only the current accounting profit.

17. Most of the organizations these days have adapted themselves to changing environment. To reach and engage with the target customers, they started to have a strong presence on social media like Facebook, Instagram, etc.

From the following, identify the feature of management being highlighted : [1 mark]

(A) Management is a group activity.

(B) Management is a continuous process.

(C) Management is multidimensional.

(D) Management is a dynamic function.

Correct Answer: (D) Management is a dynamic function.

Solution:

Concept:

- Management is a dynamic function because it adapts the organisation to changes in its external environment.
- Methods of reaching customers must change when technology and customer communication habits change.

Step 1: Connect the case evidence with the characteristic The organisations have 'adapted themselves to changing environment' and established a 'strong presence on social media'. Moving to Facebook and Instagram to engage target customers shows that managers adjust their methods to environmental changes.

Step 2: Distinguish the remaining characteristics Group activity concerns coordinated work by people toward common goals. A continuous process means management functions are performed repeatedly. Multidimensional management involves managing work, people and operations. These features do not specifically explain adapting communication methods to the changing environment.

Step 3: Conclusion The highlighted feature is that management is a dynamic function. Hence, the correct option is (D).

Quick Tip to Solve: When a case stresses adapting practices to new technology or changing customer habits, identify management as a dynamic function.

18. Match the Levels of Management given in Column I with the functions performed at each level given in Column II :

Column I	Column II
1. Top Level Management	(i) They directly oversee the efforts of the workforce.
2. Middle Level Management	(ii) They ensure that their department has the necessary personnel.
3. Operational Management	(iii) They are responsible for the welfare and survival of the organisation.

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

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

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

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

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

Correct Answer: (B) 1-(iii), 2-(ii), 3-(i)

Solution:

Concept:

- Top management is responsible for the welfare and survival of the organisation as a whole.
- Middle managers implement policies within departments and arrange the personnel needed; operational managers directly supervise the workforce.

Step 1: Match the top and middle levels Top Level Management matches (iii), since overall organisational welfare and survival are its responsibility. Middle Level Management matches (ii), because departmental managers ensure that their departments have the necessary personnel.

Step 2: Match the operational level and check the options Operational Management matches (i), as supervisors directly oversee workers' efforts. Thus the complete sequence is 1-(iii), 2-(ii), 3-(i). Option (A) swaps the top and operational roles; (C) assigns direct worker supervision to middle management; and (D) incorrectly assigns departmental staffing to the top level.

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

Quick Tip to Solve: Match overall survival with top management, departmental personnel with middle management, and direct worker supervision with the operational level.

19. 'Panmol Dairy' started using environment-friendly 'Bilona' method of making ghee, unlike other dairies which were using modern methods involving machines and chemicals. By doing this, 'Panmol Dairy' is providing employment to hundreds of illiterate people in the rural areas. Which objective of management is 'Panmol Dairy' trying to achieve : [1 mark]

(A) National objective

(B) Personal objective

(C) Social objective

(D) Economic objective

Correct Answer: (C) Social objective

Solution:

Concept:

- Social objectives express the responsibility of an organisation to create benefits for society.
- Environment-friendly production and employment opportunities for disadvantaged groups are examples of social objectives.

Step 1: Identify the social benefits in the case Panmol Dairy uses an 'environment-friendly' method and is 'providing employment to hundreds of illiterate people in the rural areas'. These clues show concern for environmental protection and livelihood opportunities in society.

Step 2: Rule out the competing objectives Personal objectives concern individual employees' needs such as remuneration, recognition and development. Economic objectives concern organisational survival, profit and growth. National objective is not the relevant NCERT category for these specific social contributions. The emphasis here is on benefits extending to the rural community and the environment.

Step 3: Conclusion Panmol Dairy is trying to achieve a social objective. Hence, the correct option is (C).

Quick Tip to Solve: Look for benefits to the community or environment to identify social objectives; individual employee benefits indicate personal objectives.

20. Which of the following statements is not highlighting the importance of financial planning :

[1 mark]

(A) It helps in forecasting what may happen under different business situations.

(B) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.

(C) It provides a link between investment and financing decisions on a continuous basis.

(D) Detailed plans of action prepared under financial planning increases waste, duplication of efforts and gaps in planning.

Correct Answer: (D) Detailed plans of action prepared under financial planning increases waste, duplication of efforts and gaps in planning.

Solution:

Concept:

- Financial planning estimates financial needs and identifies how funds will be obtained and used.
- It coordinates financial decisions and detailed action plans to reduce uncertainty, waste, duplication and gaps.

Step 1: Recognise the genuine benefits Option (A) correctly describes forecasting alternative business situations. Option (B) correctly explains preparation for future conditions and avoidance of financial shocks. Option (C) correctly states that financial planning links investment decisions with financing decisions on a continuing basis.

Step 2: Find the statement that reverses the benefit The question asks which statement is not an importance of financial planning. Option (D) says detailed plans increase waste, duplication and gaps. Financial planning actually helps reduce these problems by clarifying action and coordinating activities. Its claim therefore reverses the intended benefit.

Step 3: Conclusion The statement in (D) does not highlight the importance of financial planning. Hence, the correct option is (D).

Quick Tip to Solve: For a negatively worded question, test each statement against the benefit: planning reduces waste and duplication; it does not increase them.

21. Two ambitious friends, Sana and Mihir, having passion for creating innovative software applications, established a tech startup named 'Quick Solutions'. Their software was developed in such a way that it caters to the needs of all sections. Since its inception, 'Quick Solutions' was earning enough revenue to cover the costs. They faced countless challenges from competing with large and well-established companies. But they learned from their mistakes and continuously improved their product. Slowly, their software gained recognition for its quality and uniqueness and the company started making profits. It was a big incentive for Sana and Mihir for the continued successful operation of the enterprise. Within two years, the customer base increased manifold. Now, Sana and Mihir decided to make additional capital investment and hired more employees. They invested in research and development and expanded their product line to meet emerging market demands. 'Quick Solutions' ultimately became the industry leader because of the tireless efforts of Sana and Mihir.

Quoting lines, identify and state the objectives of management discussed in the above case which 'Quick Solutions' seeks to achieve. [3 marks]

Solution:

Concept:

- Organisational objectives are the economic objectives management must achieve for the business as a whole. NCERT identifies survival, profit and growth as its main organisational objectives.
- Survival requires enough revenue to cover costs; profit provides an incentive and resources for continued operation; growth means an increase in the scale of business activities over time.

Step 1: Identify survival from the ability to meet costs **Survival:** The relevant line is: "Since its inception, 'Quick Solutions' was earning enough revenue to cover the costs." The basic objective of an enterprise is to survive in its competitive environment. Management must ensure that the business earns sufficient revenue to cover its costs, so that it can continue operating. The line describes this minimum economic requirement rather than expansion.

Step 2: Identify profit from the reward for enterprise **Profit:** The case says that "the company started making profits" and "It was a big incentive for Sana and Mihir for the continued successful operation of the enterprise." Mere survival is insufficient in the long run. Profit rewards the business for bearing risk, encourages the entrepreneurs to continue and helps meet the costs and risks of future operations.

Step 3: Identify growth from expansion of the business **Growth:** The lines are: "Within two years, the customer base increased manifold" and "Sana and Mihir decided to make additional capital investment and hired more employees." Growth means increasing the size and activities of the enterprise. More customers, capital investment and employees are indicators of growth; the additional statement that they "expanded their product line" reinforces this objective.

Step 4: Conclusion The objectives illustrated are the three organisational objectives of **survival, profit and growth**. Meeting costs establishes survival, earning a surplus establishes profit, and increasing customers, investment, employment and products establishes growth.

Quick Tip to Solve: Match each case clue to an economic objective: covering costs means survival, earning a surplus means profit, and expanding business scale means growth. Quote a separate supporting line for each.

22(a). Explain any three psychological barriers to communication. [3 marks]

Solution:

Concept:

- Psychological barriers arise from the mental or emotional state of the sender or receiver. The same message may be understood differently when a person is inattentive, prejudiced or unwilling to listen.
- Effective communication requires the receiver to attend to the message, understand its complete meaning and assess it objectively. Psychological barriers interfere with this process even when the words themselves are clear.

Step 1: Explain premature evaluation **Premature evaluation:** This means judging the intended meaning of a message before the sender has completed it. The receiver reaches a conclusion on the basis of personal assumptions or preconceived notions rather than the whole message. For example, a manager who dismisses an employee's suggestion after hearing only its opening words may miss the reasoning and benefits explained later. Such early judgement prevents a full and accurate understanding.

Step 2: Explain lack of attention **Lack of attention:** A receiver preoccupied with other matters may not listen carefully to the message. Physical presence does not guarantee mental attention. For instance, a supervisor worried about a personal problem may fail to notice an important change in delivery instructions. Although the sender communicates the instruction, the distracted receiver does not properly absorb it, so the intended information is lost.

Step 3: Explain distrust **Distrust:** When the sender and receiver do not trust each other, they may doubt the truth or purpose of the message. The receiver interprets information suspiciously rather than accepting it in its intended sense. For example, employees who distrust management may regard a genuine explanation of a new policy as an attempt to mislead them. This lack of mutual confidence obstructs open and effective communication.

Step 4: Conclusion Three psychological barriers are **premature evaluation, lack of attention and distrust**. They obstruct communication through hasty judgement, mental distraction and suspicion respectively.

Quick Tip to Solve: For psychological barriers, explain what happens in the receiver's mind and how it changes understanding; do not substitute language or organisational barriers such as jargon or a long chain of command.

OR

22(b). 'Directing helps in effective and efficient functioning of the organization.' Explain this statement by giving any three points. [3 marks]

Solution:

Concept:

- Directing means instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. It converts the plans and organisational arrangements into actual work.
- Effectiveness means achieving the desired objectives, while efficiency means doing so with minimum waste of resources. Directing contributes to both by activating employees, aligning their efforts and improving their performance.

Step 1: Explain how directing initiates action **Initiates action:** Directing helps people begin work towards the desired objectives. Planning states what is to be done, organising allocates work and staffing places people in positions, but employees still need guidance and instructions to perform their tasks. Managers explain the work, provide necessary directions and supervise its execution. This moves the organisation from preparation to actual performance and helps ensure that the intended activities are carried out correctly.

Step 2: Explain how directing integrates employee efforts **Integrates employee efforts:** Individual employees and departments perform different tasks, so their contributions must be brought together. Through communication, guidance and leadership, directing makes employees understand how their duties support common organisational goals. For example, production and sales employees can align their activities with the same delivery commitment. Integration prevents conflicting efforts and duplication, helping the organisation achieve its objectives with less waste.

Step 3: Explain how directing develops employees' potential **Helps employees realise their potential:** Motivation and effective leadership encourage employees to use their abilities fully. Guidance helps them overcome difficulties, while encouragement builds confidence and willingness to perform. A manager who recognises good work and supports employees in improving their skills can obtain better effort and performance. Better use of employees' capabilities raises productivity and contributes to the effective and efficient achievement of goals.

Step 4: Conclusion Directing supports effective and efficient functioning by **initiating action, integrating employee efforts and helping employees realise their potential**. It translates organisational plans into coordinated and purposeful performance.

Quick Tip to Solve: Write each importance point as a cause and effect: state what directing does, then explain how it improves performance or reduces wasted effort. Do not merely list its elements such as supervision and motivation.

23. Neeraj Ltd. started an airline to provide good quality air services. For the same, he purchased ten aircrafts. Out of these, two aircrafts would be used to train the pilots. It will help them to achieve proficiency in handling the aircrafts before they would actually fly them.

(i) Identify and explain the method of training discussed above.

(ii) State any two advantages the pilots would get from this training. [3 marks]

Solution:

Concept:

- Vestibule training is an off-the-job method in which employees learn to operate equipment in a training setting that duplicates the actual work environment.
- Training improves an employee's skills and efficiency and develops the ability to handle equipment correctly and safely.

Step 1: Identify and explain the training method **Vestibule training:** Neeraj Ltd. reserves two aircrafts specifically for training. The clue is that "two aircrafts would be used to train the pilots", before they would actually fly them in regular operations. Thus, pilots learn on equipment resembling the actual workplace, but away from their normal operating duties. This method is particularly suitable where sophisticated equipment must be mastered before an employee undertakes the real job. It recreates working conditions while allowing deliberate practice and instruction.

Step 2: State two advantages for the pilots

- **Improved skills and performance:** Practice enables the pilots to "achieve proficiency in handling the aircrafts". They learn correct procedures, become more confident and perform their duties more efficiently. Better performance can also improve their career prospects.
- **Greater safety:** Learning the correct way of handling the equipment reduces mistakes and the likelihood of accidents. Pilots can develop safe operating habits during training before taking responsibility for regular flights.

Step 3: Conclusion The method is vestibule training. It benefits the pilots by improving their proficiency and performance and by helping them operate aircrafts safely.

Quick Tip to Solve: Equipment used in a separate training setting before the real job is the key clue for vestibule training; connect employee benefits to skill and safety.

24(a). Give the meaning of 'Contract Note' and 'T+2' system in the trading procedure in a stock exchange. [3 marks]

Solution:

Concept:

- A stock-exchange transaction is executed through a broker, who supplies documentary evidence of the trade to the client.
- Settlement completes a trade through the exchange of securities and funds. The notation T identifies the trading day, and the number after it identifies the settlement interval.

Step 1: Explain the contract note **Contract Note:** It is the confirmation document issued by the

broker within 24 hours of executing the client's trade. It contains details such as the name and quantity of securities bought or sold, the transaction price, the date and time of the transaction and the brokerage charges. It also carries the unique order code assigned by the stock exchange. The note is legally enforceable and helps the client verify that the broker executed the order on the agreed terms. It is evidence of the transaction and is useful in resolving a dispute between the broker and the investor.

Step 2: Explain the T+2 settlement system **T+2 system:** Under the system asked in the question, a transaction is settled on the second working day after the trading day. Here, T means the day on which the purchase or sale takes place; the two subsequent working days form the settlement interval. For example, a trade executed on Monday would be settled on Wednesday, provided Tuesday and Wednesday are working days and there is no intervening market holiday. Settlement involves delivery of the securities to the buyer and payment of the funds to the seller. The interval is counted in working days, rather than simply adding two calendar dates.

Step 3: Conclusion A contract note is the broker's legally enforceable confirmation of an executed trade. T+2 denotes settlement on the second working day following the trading day.

Quick Tip to Solve: Separate the document from the timetable: the contract note confirms the trade, while T+2 tells when its securities and funds are settled.

OR

24(b). State any three regulatory functions of Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- The Securities and Exchange Board of India regulates the securities market to promote its orderly functioning and ensure that its participants comply with prescribed requirements.
- Regulatory functions concern the rules, registration and supervision of market participants. They are distinct from educational measures used for market development.

Step 1: State the first regulatory function **Registration of brokers and other market intermediaries:** SEBI registers brokers, sub-brokers and other intermediaries operating in the securities market. Registration brings these participants under its regulatory framework and subjects them to the requirements governing their activities. This provides a basis for supervising those who facilitate securities transactions and for holding them accountable for compliance.

Step 2: State two further regulatory functions

- **Regulation of takeover bids:** SEBI regulates takeover bids by companies. It lays down the framework to be followed when an acquirer seeks control of a company through the acquisition of shares. Such regulation helps ensure that acquisition activity takes place through prescribed procedures and that the interests of shareholders are considered.
- **Inspection, enquiries and audits:** SEBI calls for information and undertakes inspections, enquiries and audits of stock exchanges and market intermediaries. Through this supervision, it checks

whether their operations comply with the rules and requirements applicable to them and identifies irregularities requiring regulatory action.

Step 3: Conclusion Three regulatory functions of SEBI are registering brokers and other intermediaries, regulating takeover bids, and calling for information and undertaking inspections, enquiries and audits of stock exchanges and intermediaries.

Quick Tip to Solve: For regulatory functions, recall registration, takeover regulation and inspection; investor education belongs to SEBI's developmental work.

25(a). Explain the following functions of marketing :

(i) Customer support services

(ii) Product designing and development [4 marks]

Solution:

Concept:

- Marketing functions help an enterprise create, communicate and deliver value to customers. They include developing an appropriate product and supporting customers before and after its purchase.
- Customer support services maintain customer satisfaction, while product designing and development determine the features and appeal of the offering itself.

Step 1: Explain customer support services **Meaning:** Customer support services are services provided to customers to facilitate the purchase and satisfactory use of a product. They include after-sales services, handling customer complaints and adjustments, procuring credit facilities, maintenance services and technical assistance.

Importance: These services aim at keeping present customers satisfied and attracting prospective buyers. For example, prompt installation and repair assistance for an appliance help the customer obtain the intended benefit from it. Effective support builds confidence and repeat purchases, thereby contributing to the success of marketing.

Step 2: Explain product designing and development **Meaning:** Product designing and development involve deciding the product's design, shape, size, style, quality and other features so that it meets the needs of the target customers. A product must offer useful benefits and be attractive and convenient to use.

Importance: The design contributes to the attractiveness and utility of a product and can provide a competitive advantage in the market. For instance, the shape and design of a car influence customer preference along with its performance. Developing an appropriate design therefore helps the firm differentiate its offering and satisfy customers more effectively.

Step 3: Conclusion Customer support services sustain satisfaction through assistance connected with buying and using a product. Product designing and development create an offering whose features, utility and appearance appeal to the target customers. Both functions strengthen the value delivered by the marketer.

Quick Tip to Solve: For each marketing function, state what it involves and then explain how it helps satisfy customers; distinguish support around the product from the design of the product itself.

OR

25(b). Explain 'Advertising' and 'Personal Selling' as tools of promotion used by the marketers.

[4 marks]

Solution:

Concept:

- Promotion consists of activities that communicate the availability, features and merits of a product to target customers and persuade them to buy it.
- Advertising and personal selling are tools of the promotion mix. Advertising communicates impersonally through media, whereas personal selling uses direct personal interaction with prospective buyers.

Step 1: Explain advertising as a promotion tool **Meaning:** Advertising is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The business pays for the message, and the audience can identify the advertiser responsible for it.

Use by marketers: Messages are conveyed through media such as newspapers, television, radio and digital media to inform and persuade a large number of potential customers. The same standardised message can reach geographically dispersed buyers repeatedly. Advertising helps create awareness, build a favourable product image and stimulate demand, but it does not involve face-to-face interaction or an immediate personalised reply to each buyer.

Step 2: Explain personal selling as a promotion tool **Meaning:** Personal selling involves oral presentation of a message in the form of a conversation with one or more prospective customers for the purpose of making sales. A salesperson interacts personally with the buyer and explains how the product can meet the buyer's needs.

Use by marketers: Through direct interaction, the salesperson can demonstrate the product, answer questions, remove doubts and adapt the sales presentation to the customer's response. Immediate feedback makes the communication flexible and helps develop a personal relationship. For example, a salesperson explaining the features of a machine can address the particular requirements and objections of the prospective buyer.

Step 3: Conclusion Advertising promotes a product through paid, non-personal communication by an identified sponsor. Personal selling promotes it through direct conversation, allowing a tailored explanation and immediate feedback. Marketers select an appropriate combination according to the product and target customers.

Quick Tip to Solve: Remember advertising by its three essentials: paid, non-personal and identified sponsor. For personal selling, stress conversation, flexibility and immediate customer feedback.

26. Vibhas recently joined as a Human Resource Manager of 'Bajanta Enterprises'. The company had embarked on a special project for which Vibhas had appointed twenty new employees. After the employees underwent on-the-job training for a month and had been on the job for some time, there was a need to evaluate their performance against certain pre-determined standards. Not only this, 'Bajanta Enterprises' had to address the career related issues and promotional avenues for their employees. Vibhas was designing activities to serve their employees' long-term interests. By doing this, 'Bajanta Enterprises' had completed the two important steps of staffing process. Identify and explain those steps. [4 marks]

Solution:

Concept:

- Staffing includes assessing employees after placement and training, as well as providing opportunities for advancement in their working lives.
- Performance appraisal measures present job performance, while promotion and career planning address employees' future responsibilities and development.

Step 1: Identify performance appraisal from the evaluation of work **Performance appraisal:** The case states that there was a need to 'evaluate their performance against certain pre-determined standards'. This identifies performance appraisal, which means evaluating an employee's current or past performance in relation to established standards. Expected performance is defined for the job, actual work is assessed, and the employee is given feedback about the extent to which expectations have been met. The appraisal process therefore includes defining the job, appraising performance and providing feedback. It allows strengths and shortcomings to be recognised and helps the employee understand how performance can improve. The reference to evaluation after the employees had worked for some time distinguishes appraisal from their earlier on-the-job training.

Step 2: Identify promotion and career planning from long-term development **Promotion and career planning:** The enterprise had to address 'career related issues and promotional avenues', and Vibhas was designing activities to serve employees' 'long-term interests'. These statements identify promotion and career planning. Promotion involves movement to a higher position with greater responsibilities and generally higher status and pay. Career planning concerns opportunities and activities that support an employee's progress over time. Management should consider employees' aspirations, identify appropriate growth opportunities and encourage the development needed for greater responsibility. Such measures enable employees to use their potential and make advancement possible within the organisation. They concern future growth rather than merely rating present performance.

Step 3: Conclusion The two staffing steps are **performance appraisal**, shown by evaluation against pre-determined standards, and **promotion and career planning**, shown by promotional avenues and activities serving employees' long-term interests.

Quick Tip to Solve: In a staffing case, link comparison with job standards to appraisal; link advancement and long-term employee growth to promotion and career planning.

27(a). Explain any four limitations of 'Planning'. [4 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It provides direction, but its effectiveness is restricted by its own demands and by changes in the business environment.
- Limitations explain why a plan cannot ensure success by itself. They do not imply that management should abandon planning.

Step 1: Explain rigidity and the difficulty of a changing environment

- **Planning leads to rigidity:** A well-defined plan specifies the course of action to be followed. Managers may then be expected to follow it closely rather than use their initiative. A fixed course can become difficult to change even when circumstances require a different approach. This rigidity can hinder effective action unless plans are reviewed and adapted.
- **Planning may not work in a dynamic environment:** Business operates amid economic, social, political, technological and legal changes. Planning rests on assumptions about future conditions, but managers cannot accurately anticipate every change. For example, an unexpected change in technology may make a planned product or method unsuitable. A plan based on the earlier assumptions may consequently lose its usefulness.

Step 2: Explain reduced creativity and the cost of planning

- **Planning reduces creativity:** Plans are often formulated by top management and implemented by other employees. When employees merely carry out decisions made for them, they may be discouraged from proposing their own ideas or acting independently. Dependence on the prescribed plan can therefore restrict initiative and the search for better alternatives.
- **Planning involves huge costs:** Formulating reliable plans requires collecting information, analysing alternatives and preparing forecasts. Surveys, expert advice, management effort and other planning activities consume resources. These costs may be considerable, and the expected benefit of a plan may not always justify the expenditure incurred in preparing it. Management must therefore weigh planning costs against likely benefits.

Step 3: Conclusion Four limitations are rigidity, difficulty in a dynamic environment, reduced creativity and huge costs. Managers should recognise these restrictions while using planning to guide organisational action.

Quick Tip to Solve: Give a separate NCERT heading for each limitation, then explain its consequence: inflexibility, obsolete assumptions, restricted initiative or resource cost.

OR

27(b). Explain any four points of importance of 'Organising'. [4 marks]

Solution:

Concept:

- Organising translates plans into action by identifying and grouping activities, assigning duties and establishing reporting relationships.
- Its importance lies in arranging people and resources so that individual effort contributes efficiently to organisational objectives.

Step 1: Explain specialisation and clarity in relationships

- **Benefits of specialisation:** Organising divides the total work into smaller tasks and assigns them to suitable employees. Repeated performance of a particular task enables an employee to develop skill and expertise, reducing wasted effort and improving productivity.
- **Clarity in working relationships:** Organising specifies who has to report to whom and the extent of each person's authority and responsibility. Employees know whose instructions to follow and whom to approach for a decision. This removes ambiguity and helps coordination across jobs and departments.

Step 2: Explain resource use and adaptation

- **Optimum utilisation of resources:** Work is assigned according to employees' abilities and available resources are allocated to the activities that need them. Clearly defined jobs avoid duplication of work, while proper deployment of human and material resources minimises wastage and unnecessary expenditure.
- **Adaptation to change:** A sound organisation structure provides scope for modifying jobs, departments and relationships when business conditions change. It allows an enterprise to respond to new technology, products or markets without losing coordination, supporting continuity and stability of operations.

Step 3: Conclusion Four points of importance of organising are benefits of specialisation, clarity in working relationships, optimum utilisation of resources and adaptation to change. Together they enable planned activities to be carried out efficiently.

Quick Tip to Solve: Link each benefit to the organising process: division of work gives specialisation, reporting lines give clarity, allocation improves resource use and a flexible structure supports change.

28. State any four functions performed by consumer organizations and non-governmental organizations for protecting and promoting the interest of consumers.

[4 marks]

Solution:

Concept:

- Consumer organisations and non-governmental organisations are voluntary bodies that protect consumers from exploitation and promote awareness of consumer interests.
- They assist consumers through education, reliable product information and support in seeking redressal, rather than acting as sellers of the goods concerned.

Step 1: State the educational and information functions

- **Educating consumers:** They conduct training programmes, seminars and workshops to educate the general public about consumer rights. Such programmes help buyers recognise unfair practices and understand the responsibilities involved in making informed purchases.
- **Publishing information:** They publish periodicals and other publications that spread knowledge about consumer problems, legal provisions and matters of consumer interest. This information helps consumers compare alternatives and understand the remedies available when their interests are harmed.

Step 2: State the product-testing and redressal functions

- **Testing consumer products:** They undertake comparative testing of consumer products in accredited laboratories to examine their quality. They publish the results for consumers' benefit, helping buyers make informed choices and identify products that fail to meet expected standards.
- **Providing legal assistance:** They assist consumers in seeking legal redressal for grievances. By guiding an aggrieved consumer about the available procedure and helping present the complaint, they enable consumers to pursue remedies that they may find difficult to obtain individually.

Step 3: Conclusion Any four functions are consumer education through programmes, publication of consumer information, comparative product testing and legal assistance for redressal. These functions improve consumers' knowledge and strengthen their ability to protect their interests.

Quick Tip to Solve: Recall four distinct actions: educate, publish, test and assist. State what the organisation actually does under each heading rather than merely listing consumer rights.

29. 'Leno' is a reputed car manufacturing company, which is going to complete its 75 years in October 2024. The Chief Executive Officer of the company decided to take the company to a higher level. For this he called a meeting of all departmental heads of the company. In the meeting, the Chief Executive Officer proposed a target to increase sales by 10% and profits by 20% in its Platinum Jubilee year.

The Human Resource Manager estimated that an increase of 500 workers would be required to achieve the target. The Finance Manager suggested that the company must hold adequate cash balances for various purposes, and he will prepare a statement showing the estimated cash inflows and outflows for this particular period.

Identify and explain two types of plans discussed in the above case. [4 marks]

Solution:

Concept:

- An objective is the desired future position or end result that management seeks to achieve. It provides a clear direction for organisational activities.
- A budget is a statement of expected results expressed in numerical terms. It translates a plan into measurable requirements or outcomes for a specified period.

Step 1: Identify and explain objectives **Identification and evidence:** The first type of plan is an **objective**. The Chief Executive Officer "proposed a target to increase sales by 10% and profits by 20% in its Platinum Jubilee year."

Explanation: Objectives specify what an organisation wants to accomplish. These are the end points towards which its activities are directed, and they serve as the basis for other plans. Here, the specified increases in sales and profits state the desired results for the Jubilee year. Departmental heads can frame their own plans around these common targets, and actual performance can later be compared with them.

Step 2: Identify and explain budgets **Identification and evidence:** The second type of plan is a **budget**. The Finance Manager will prepare "a statement showing the estimated cash inflows and outflows for this particular period."

Explanation: A budget is a numerically expressed statement of expected results. The statement in the case is specifically a cash budget: it estimates receipts and payments during a defined period so that sufficient cash can be available for different purposes. It supports financial planning and provides a basis for comparing actual cash flows with estimates. The Human Resource Manager's estimate that 500 additional workers will be required is also a numerical manpower requirement supporting the company's plans; the clearest budget expressly described is the cash-flow statement.

Step 3: Conclusion The two types of plans are **objectives**, represented by the sales and profit targets, and **budgets**, represented by the estimated cash inflows and outflows for the period.

Quick Tip to Solve: Match a desired end result with an objective and a numerical statement of expected requirements or results with a budget; quote the case evidence for each.

30. Arushi successfully runs a bookstore 'Children's Delight' catering to children of the age group of 5 – 15 years. They have the complete range of children's books like activity books, colouring books, fiction and much more. The books are of good quality and are highly appreciated by schools, parents and children. They have 16 stores all over India, where children can not only purchase the books, but can also come and read, and participate in quiz competitions and experience the joy of reading. They have their own well-managed inventory management, storage, and warehousing to deliver books to locations all over India. The bookstore regularly communicates the availability, features, merits, etc. of the books to target customers and persuades them to buy the books.

Quoting lines in the situation, identify and explain the two elements of marketing mix in addition to 'Product' highlighted in the above case. [4 marks]

Solution:

Concept:

- The marketing mix combines product, price, place and promotion to meet the needs of the target market. Each element performs a distinct role in marketing a product.
- Place concerns making products available where customers need them; promotion concerns informing and persuading target customers to purchase them.

Step 1: Identify and explain place **Identification:** The first element is **Place or Physical Distribution**.

Evidence: "They have 16 stores all over India" and "They have their own well-managed inventory management, storage, and warehousing to deliver books to locations all over India."

Explanation: Place includes the activities necessary to make a firm's products available to target customers at the right location and time. It involves decisions about distribution channels and physical distribution, including inventory, warehousing and transportation. The stores provide outlets through which children and their parents can obtain books. Inventory management, storage and warehousing help maintain supplies and facilitate delivery to different locations. These arrangements concern availability and movement of the books, so they represent place rather than a feature of the books themselves.

Step 2: Identify and explain promotion **Identification:** The second element is **Promotion**.

Evidence: "The bookstore regularly communicates the availability, features, merits, etc. of the books to target customers and persuades them to buy the books."

Explanation: Promotion consists of communicating with customers to inform them about a product and persuade them to purchase it. Its tools include advertising, personal selling, sales promotion and public relations. In the case, communicating the books' availability, features and merits creates awareness and explains their benefits, while persuasion encourages purchase. The quoted statement directly establishes promotion; the case does not require us to assume any particular advertising medium or promotional offer.

Step 3: Conclusion Apart from Product, the two highlighted elements are **Place**, shown by the stores and distribution arrangements, and **Promotion**, shown by communication intended to inform and persuade target customers.

Quick Tip to Solve: Availability, outlets, stocks and delivery indicate Place; communication about benefits and persuasion to purchase indicate Promotion.

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

(i) Time study

(ii) Method study

(iii) Differential piece wage system [6 marks]

Solution:

Concept:

- Taylor's scientific management replaces rule-of-thumb decisions with systematic observation, measurement and analysis of work.
- Work studies determine an efficient method and the time needed for a task; differential piece wages link remuneration to efficiency against a predetermined standard.

Step 1: Explain time study **(i) Time study – meaning and procedure:** Time study determines the standard time required to perform a well-defined job. Observations are taken of the time needed for the elements of the task, generally using a stopwatch. Repeated observations under suitable working conditions help establish the time that a worker of average skill can reasonably take.

Purpose and use: The resulting standard helps determine the number of workers needed, frame suitable incentive schemes and calculate labour costs. It gives a scientific basis for production schedules rather than leaving completion time to guesswork. For example, knowing the standard time per unit helps a manager estimate the labour needed for a production target.

Step 2: Explain method study **(ii) Method study – meaning and procedure:** Method study finds the one best way of doing a job. Management examines the possible methods and the entire process, from obtaining raw materials to delivering the finished product. It analyses the sequence of operations, movement of materials and arrangement of work to identify the most efficient method.

Purpose and use: Its objective is to minimise production cost while maximising quality and customer satisfaction. Unnecessary operations and avoidable movement can be eliminated, and the most suitable use of machines and labour can be selected. It therefore answers how the work should be done, whereas time study establishes how long the defined task should take.

Step 3: Explain the differential piece wage system **(iii) Differential piece wage system – meaning and procedure:** Taylor proposed different wage rates for efficient and inefficient workers. A standard output is fixed through scientific study. Workers who attain or exceed that standard receive a higher rate per piece, while workers who fail to attain it receive a lower rate per piece.

Purpose and use: The difference rewards efficiency and gives workers a financial incentive to improve performance. For instance, if the standard is ten units per day, an illustrative scheme may pay Rs 50 per unit to a worker meeting the standard and Rs 40 per unit to a worker below it. The distinction is in the rate applied, so workers can see the benefit of attaining the standard.

Step 4: Conclusion Time study fixes the standard time, method study identifies the best way of performing the job, and differential piece wages reward workers who meet the scientific output standard through a higher rate per unit.

Quick Tip to Solve: Link each technique to its deciding question: time study asks how long, method study asks how, and differential piece wages ask how efficiency will be rewarded.

OR

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

(i) Universal applicability

(ii) Formed by practice and experimentation

(iii) Flexible [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They help managers understand situations and select suitable courses of action.
- These principles arise from managerial experience and systematic examination of practices. Their application takes account of the organisation, people and circumstances involved.

Step 1: Explain universal applicability **(i) Universal applicability – scope:** Management principles apply to all types of organisations, whether business or non-business, small or large, public or private. They are relevant to different activities and to managers at different levels because all organisations need people to work together towards objectives.

Application depends on circumstances: Although their scope is universal, the extent and manner of their use vary with the nature of the organisation, business activity and particular situation. For example, division of work can improve performance in both a hospital and a factory, but the duties divided and the degree of specialisation will differ. Universal applicability therefore does not mean an identical application everywhere.

Step 2: Explain formation by practice and experimentation **(ii) Formed by practice and experimentation – practical experience:** Management principles develop through managers' observations and accumulated experience in handling actual work situations. When a way of managing repeatedly proves useful, its underlying lesson can be expressed as a general principle. They are therefore grounded in practical managerial problems.

Testing and refinement: Principles also emerge from experimentation, in which alternative practices are tried and their effects observed. For instance, comparing performance before and after a change in a work arrangement can reveal a useful relationship. Managers and thinkers examine such results and refine the resulting guidelines; principles are not arbitrary statements based only on personal preference.

Step 3: Explain flexibility **(iii) Flexible – adaptable guidelines:** Principles of management are not rigid prescriptions that must be followed mechanically in every situation. A manager can modify their application to suit the demands of a particular problem, the abilities of employees and the conditions in which the organisation operates.

Use managerial judgement: A principle provides direction while leaving scope for discretion. For example, the scalar chain normally provides the formal route of communication, but a gang plank permits direct contact between employees at the same level in an emergency, with the appropriate superiors informed. Flexibility makes a principle useful in changing conditions while preserving its underlying purpose.

Step 4: Conclusion Management principles have universal relevance, originate in practice and

experimentation, and allow flexible application. Their value lies in guiding informed decisions while permitting managers to respond to the circumstances of each organisation.

Quick Tip to Solve: Separate reach, origin and use: universal applicability describes where principles apply, practice and experimentation explain how they develop, and flexibility explains how managers adapt them.

32(a). Explain the following factors affecting the requirement of fixed capital of a company :

(i) Choice of technique

(ii) Financing alternatives

(iii) Growth prospects [6 marks]

Solution:

Concept:

- Fixed capital refers to investment in fixed assets such as land, buildings, plant and machinery. These assets support operations over a long period; the requirement depends on the company's operating and expansion decisions.
- The three specified factors influence how much long-term finance must be committed to fixed assets. Distinguish the need to use an asset from the need to purchase and finance its ownership.

Step 1: Explain choice of technique **(i) Choice of technique:** A company adopting a capital-intensive technique relies more on plant, machinery, automation and equipment. It therefore requires a larger investment in fixed assets and a higher amount of fixed capital. A labour-intensive technique relies more on human effort and uses relatively less machinery, so its fixed-capital requirement is lower. For example, an automated production line needs a larger initial investment in machines than a comparable operation using manual methods. The relevant comparison is the amount invested in long-term productive assets, rather than the number of employees alone.

Step 2: Explain financing alternatives **(ii) Financing alternatives:** If facilities for leasing fixed assets are available, the company can use machinery or equipment without purchasing it outright. Consequently, it needs less finance for acquiring fixed assets and its immediate fixed-capital requirement is reduced. If leasing or similar alternatives are unavailable and the company must buy the assets, it needs more fixed capital. Lease rentals still have to be paid; leasing reduces the initial purchase commitment rather than making the use of the asset free. Thus, the availability of an alternative to outright ownership affects the amount of funds tied up in fixed assets.

Step 3: Explain growth prospects **(iii) Growth prospects:** A company expecting higher growth must create capacity to handle the anticipated expansion. It may need additional land, buildings, machinery and other equipment, which increase its fixed-capital requirement. A company with limited growth prospects needs comparatively less investment in additional fixed assets. For instance, expanding production to supply new markets may require another plant or extra machines. Therefore, future expansion plans must be considered along with present operations when estimating the company's fixed-capital needs.

Step 4: Conclusion A capital-intensive technique and strong growth prospects generally increase fixed-capital requirements. The availability of leasing reduces the immediate funds required to

purchase fixed assets, while outright acquisition calls for a larger commitment.

Quick Tip to Solve: Link each factor to fixed assets: technique changes machinery intensity, leasing changes the need to buy, and growth changes future capacity.

OR

32(b). Explain the following factors affecting choice of capital structure of a company :

(i) Cost of equity

(ii) Control

(iii) Stock market conditions [6 marks]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance the company's long-term requirements. The choice must balance financing cost, financial risk and the interests of existing owners.
- Increasing debt creates fixed interest commitments and raises shareholders' risk. Equity avoids compulsory interest payments, but an issue of new voting shares can dilute existing shareholders' control.

Step 1: Explain the effect of cost of equity **(i) Cost of equity:** The cost of equity is the return expected by equity shareholders for bearing the risk of investing in the company. As the proportion of debt rises, fixed interest commitments increase financial risk for equity shareholders. They therefore demand a higher return, raising the cost of equity. Up to a certain level, the benefit from relatively cheaper debt may exceed the additional cost arising from greater financial risk. Beyond that level, the increase in the cost of equity can outweigh the benefit of debt and increase the overall cost of capital. Thus, the company must avoid excessive debt and choose a suitable debt-equity mix after considering its effect on shareholders' required return.

Step 2: Explain the effect of control **(ii) Control:** Equity shareholders have voting rights. Raising funds by issuing additional equity shares to new shareholders can dilute the voting power and control of the existing owners. If existing shareholders wish to retain control, the company may prefer debt to a fresh equity issue because lenders do not ordinarily acquire voting rights in the company. However, this preference is subject to the company's ability to service debt and the risk it can safely bear. Control considerations cannot justify borrowing beyond a financially sustainable level.

Step 3: Explain the effect of stock market conditions **(iii) Stock market conditions:** During a bullish stock market, investor confidence is high and equity shares are more attractive. A company can generally raise equity capital more easily, often on favourable terms, so it may prefer an equity issue. During bearish conditions, investors are less willing to buy shares and an equity issue may be difficult or unattractive. The company may then rely more on debt, if its financial position permits. Thus, the prevailing stock market sentiment affects the relative suitability and timing of equity and debt financing.

Step 4: Conclusion The company should consider the rise in equity shareholders' required return as debt increases, the possible dilution of existing owners' control through new equity, and whether stock market conditions favour an equity issue. Together these factors guide a balanced capital structure.

Quick Tip to Solve: Keep the three links distinct: debt affects shareholders' risk and required return, new equity affects voting control, and market sentiment affects the ease of issuing shares.

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33. 'Rewton Ltd.' was a reputed computer software company providing unique software all over India. The turnover of the company was very high resulting in good profits. The Chief Executive Officer, Vihaan, was very strict and disciplined. He specified the boundaries of authority and responsibility for achieving organizational goals. There was systematic coordination among the various activities and specific relationships among various job positions. The company provided facilities like a canteen, a gym, a library, a music room, and a rest area for its employees, which they could use during rest intervals. Using these facilities, the employees developed friendships and discussed not only their personal, social and emotional issues, but also the official ones.

The General Manager was of a different view. He told the Chief Executive Officer that there was no use providing these facilities to the employees as it is an extra financial burden on the organization on one hand and on the other hand, it encourages groupism and whenever any change is required in the organization, they all resist. He suggested that they should do away with these facilities. But the Chief Executive Officer, Vihaan, explained to the General Manager that this type of social interaction is necessary, and is in the best interest of the organization. These interactions among people at work give rise to a network of social relationships among employees and have many benefits.

(i) Identify and explain the type of organisation whose existence the Chief Executive Officer felt was necessary.

(ii) State any two advantages and two disadvantages of the type of organization identified in (i) above. [6 marks]

Solution:

Concept:

- Informal organisation is the network of social relationships that arises spontaneously from interaction among employees at work. It is not deliberately created through an official organisation chart.
- Formal organisation specifies authority, responsibility and official reporting relationships. Informal organisation coexists with it and satisfies employees' social and emotional needs.

Step 1: Identify the organisation supported by Vihaan **(i) Informal organisation:** Vihaan considers informal organisation necessary. The decisive words are that employees "developed friendships" and that their interactions "give rise to a network of social relationships among employees". These relationships grow naturally when employees meet in the canteen, gym, library, music room and rest area. They are based on personal interaction and friendship rather than assigned authority. The earlier reference to specified boundaries of authority describes the formal organisation; it is not the type whose social benefits Vihaan is defending.

Step 2: State two advantages of informal organisation **(ii) Faster communication:** Informal

communication does not have to pass through the prescribed chain of command. Consequently, information can spread quickly and employees can obtain useful feedback about workplace matters. The case says that employees discussed "also the official ones", showing that interaction extends to work issues.

Fulfilment of social needs: Friendship and a sense of belonging meet employees' social and emotional needs. This gives members satisfaction and support, which formal work relationships alone may not provide. The employees' discussion of "personal, social and emotional issues" directly illustrates this advantage.

Step 3: State two disadvantages of informal organisation **Resistance to change:** Members may collectively oppose a proposed change, even when it would benefit the enterprise. The General Manager explicitly says that whenever change is required, "they all resist". Such resistance can delay implementation of decisions.

Pressure to conform to group norms: An informal group may expect its members to follow its own norms and loyalties. Where these differ from organisational expectations, members face pressure that can harm performance or the interests of the enterprise. The General Manager's concern that the facilities "encourage groupism" points to this possible difficulty; it does not remove the social benefits identified by Vihaan.

Step 4: Conclusion Vihaan supports informal organisation, the spontaneous network of employee relationships. Two advantages are faster communication and satisfaction of social needs; two disadvantages are resistance to change and pressure to follow group norms that may conflict with organisational interests.

Quick Tip to Solve: Identify the relationship being defended: official authority points to formal organisation, while spontaneous friendships and social interaction point to informal organisation.

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34. Nishtha runs a chain of famous restaurants, 'Indian Kitchen', in different parts of Delhi. The restaurant chain was known for good quality food and quick service. 'Indian Kitchen' was generating good revenue and had goodwill in the market. Nishtha would take a weekly report from all the Restaurant Managers and take necessary action to resolve the problems, if any. Nishtha noticed a sudden decline in sales in one of the restaurants. She questioned the Restaurant Manager who mentioned that the restaurant is seeing a gradual decrease in the number of customers, but could not provide a clear explanation for it. So, Nishtha formed a team to find out the causes of the declining customers as this is the key area for restaurant business and is critical to the success of business. By doing this, Nishtha is performing a step of the process of a function of management.

(i) Identify and explain the function of management discussed above.

(ii) Explain the step of the function identified in (i) above, followed by Nishtha to find out the causes of declining revenue.

(iii) Explain the step Nishtha will take after she gets the report from the team formed to find out the causes of declining revenue. [6 marks]

Solution:

Concept:

- Controlling means ensuring that activities are performed according to plans. Managers compare actual performance with standards, identify deviations and take corrective action so that organisational goals are achieved.
- Analysing deviations determines the significance and causes of differences between actual and planned performance. Corrective action then removes the causes of significant adverse deviations.

Step 1: Identify and explain the management function **(i) Controlling:** Nishtha is performing the controlling function of management. It involves measuring actual performance, comparing it with predetermined standards and taking remedial action wherever necessary. The statement that she takes "a weekly report from all the Restaurant Managers" and takes "necessary action to resolve the problems" shows her monitoring performance and responding to departures from expectations. This helps keep restaurant operations on the planned course and supports the achievement of business objectives.

Step 2: Explain the step used to investigate declining customers **(ii) Analysing deviations:** Nishtha has detected an adverse deviation in sales and customer numbers. She now needs to determine its importance and underlying causes. The case says that she "formed a team to find out the causes of the declining customers". Since customer demand is "critical to the success of business", her attention to this key area illustrates **critical point control**: control should focus on key result areas on which business success depends.

Under **management by exception**, significant deviations beyond an acceptable range receive managerial attention; every minor variation need not be investigated equally. Investigating important deviations helps distinguish symptoms, such as falling sales, from their causes. The team's findings must establish the actual reason; a decline alone does not prove that food quality, service or any other particular factor is responsible.

Step 3: Explain the next step after receiving the report **(iii) Taking corrective action:** After the team reports its findings, Nishtha should choose and implement measures that address the identified causes of the significant deviation. The action must match the diagnosis. For example, if the investigation establishes that delayed service is responsible, she may improve work procedures or train staff; if it establishes a quality problem, she may strengthen quality checks. These are possible responses, not additional facts about the case.

Corrective action aims to prevent recurrence and restore performance to the required level. She should also follow up to see whether the chosen remedy improves results. If investigation shows that the standards themselves are unrealistic, those standards should be reviewed and suitably revised rather than employees being judged against an unattainable target.

Step 4: Conclusion The function is controlling. The team is carrying out analysis of deviations, with attention focused on a critical result area. Once the causes are established, Nishtha will take suitable corrective action and monitor its effectiveness.

Quick Tip to Solve: In the control process, detecting a gap is comparison, investigating why it occurred is analysis of deviations, and removing its cause is corrective action.