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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

1. 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 have a responsibility to respect the environment by avoiding waste, litter and pollution.
- An environmentally responsible consumer disposes of packaging properly and encourages others to do the same.

Step 1: Identify the action in the case Niyati tells children 'not to pollute the environment' and collects wrappers to 'put them in the dustbin'. These actions directly protect the surroundings from litter.

Step 2: Match the responsibility and reject the alternatives Respecting the environment fits her conduct. Reading labels concerns product information; asserting a fair deal concerns securing fair treatment in a purchase; being honest concerns truthful dealings. None of those three is the activity described here.

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

Quick Tip to Solve: Match waste collection and proper disposal to environmental responsibility; look for the action, rather than merely the occupation of the person.

2. 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:

- A financial market links savers with investors and helps direct savings towards productive investment opportunities.
- The allocative function promotes the productive use of scarce funds in the economy.

Step 1: Evaluate the assertion Assertion (A) is true. When allocation works well, funds reach firms capable of using them most productively. This supports efficient use of the economy's scarce resources.

Step 2: Evaluate the reason Reason (R) is also true. Directing funds into their most productive investment opportunity is precisely the meaning of the allocative function.

Step 3: Check the explanatory link The reason explains why the result in the assertion occurs: directing funds to the most productive opportunities places resources with the highest-productivity firms. Option (B) wrongly denies this link, while (C) and (D) wrongly classify a true statement as false.

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

Quick Tip to Solve: For an assertion-reason item, test the truth of each statement first, then ask whether the reason explains how or why the assertion follows.

3. '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:

- Dividend stability means maintaining a reasonably steady dividend per share instead of changing it with every temporary change in profit.
- A rise in dividend is normally considered when the increase in earning potential is sustainable.

Step 1: Identify the decisive case evidence The manager decided 'not to increase dividend per share' because earnings had risen but 'not the earning potential of the company'. The case also says that the rise was 'temporary in nature'. This is a concern for a stable dividend.

Step 2: Distinguish the other factors Cash flow position concerns cash available for paying dividends, which is not the stated reason. Shareholders' preference concerns their desire for dividend or capital gains, and growth opportunities concern retaining funds for future investment. Neither is the focus of the manager's decision here.

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

Quick Tip to Solve: A temporary profit increase does not justify a permanent dividend increase: connect the phrase earning potential with dividend stability.

4. 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 directs individual efforts towards shared objectives, rather than merely pursuing personal goals.

Step 1: Judge Statement I Statement I is true: the ability to influence others is the central feature of leadership. Influence enables the leader to guide and motivate the group towards its objectives.

Step 2: Judge Statement II and select the combination Statement II is false because leadership is exercised to achieve organisational or group goals, not merely the personal goals of the leader. Therefore (B) reverses the truth values, (C) incorrectly accepts Statement II, and (D) incorrectly rejects Statement I.

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

Quick Tip to Solve: In leadership definitions, remember both influence and organisational goals; personal ambition alone does not define effective leadership.

5. _____ 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 a job more challenging, meaningful and satisfying.

- It adds variety, greater responsibility, autonomy and opportunities to use higher knowledge and skills.

Step 1: Recognise the features in the definition The question describes 'greater variety of work content', 'more autonomy' and 'opportunity for personal growth'. These features improve the substance of the job itself and identify job enrichment.

Step 2: Eliminate the remaining incentives Job security gives assurance of continued employment. Perquisites are additional benefits such as housing or medical facilities. An employee recognition programme acknowledges good performance. None of these specifically redesigns the job to provide autonomy, challenge and meaningful work.

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

Quick Tip to Solve: If the work itself gains variety, responsibility and autonomy, choose job enrichment; recognition rewards performance without necessarily changing the job.

6. 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:

- The primary objective of financial management is to maximise shareholders' wealth.
- Shareholders' wealth is reflected in the market value of their equity shares; a higher market price increases the value of their holding.

Step 1: Judge Statement I Statement I is true. Financial decisions should add value for shareholders, and wealth maximisation provides the guiding objective for investment, financing and dividend decisions.

Step 2: Judge Statement II and compare the options Statement II is true because, for an unchanged number of shares held, an increase in market price raises the market value of the shareholders' investment. Options (A) and (B) each reject one true statement; option (D) rejects both. Only (C) accepts both statements.

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

Quick Tip to Solve: Distinguish profit from wealth: financial management targets the market value of shareholders' investment, not merely a higher accounting profit.

7. '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 of management concern the welfare of society, including environmentally friendly production and employment opportunities.
- Economic objectives concern the enterprise's survival, profit and growth; personal objectives concern employees' individual needs.

Step 1: Connect the case to social welfare Panmol Dairy uses an 'environment-friendly' method and provides employment to 'hundreds of illiterate people in the rural areas'. Both actions benefit society through environmental care and employment generation.

Step 2: Reject the other classifications These are social objectives. A national objective is not the NCERT classification of the management objective described here. Personal objectives concern individual employee needs, while economic objectives focus on the enterprise's survival, profit and growth. The stated evidence highlights wider social benefits.

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

Quick Tip to Solve: Environment protection and employment for disadvantaged sections are clues to social objectives; survival, profit and growth point to economic objectives.

8. 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, much as a bank holds money in an account.
- A demat account enables securities to be held and transferred electronically through a depository participant.

Step 1: Identify the service described The question describes a securities account into which shares may be deposited and from which shares may be withdrawn or sold. Instructions for receiving or delivering shares are given on behalf of the investor. These are services of a depository.

Step 2: Eliminate the other institutions A primary market deals with the issue of new securities. A stock exchange provides the market for trading existing securities. A bank ordinarily accepts money deposits and provides banking services; it may act as a depository participant, but the institution described by the question is the depository itself.

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

Quick Tip to Solve: Associate a securities account holding electronic shares with a depository; distinguish custody of securities from the market in which they trade.

9. '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:

- Social objectives concern the creation of benefits for society through the organisation's activities.

- Providing basic amenities and contributing to community welfare are ways in which management fulfils its social objectives.

Step 1: Connect the case to community welfare Bonfast Cement Ltd. supports villages with 'housing facilities, schools, safe drinking water, health and hygiene'. These benefits serve the surrounding community rather than merely increasing the company's output or profits. Employees also visit to check that these facilities are actually implemented.

Step 2: Distinguish the other objectives Personal objectives relate to employees' financial and social needs, such as remuneration and personal growth. Organisational objectives focus on survival, profit and growth; economic objectives emphasise economic performance. The decisive evidence here is welfare provided to villagers, so these alternatives do not describe the objective highlighted.

Step 3: Conclusion Bonfast Cement Ltd. is pursuing its **social objective**. Hence, the correct option is (B).

Quick Tip to Solve: Identify who receives the benefit: schools, water and health facilities for the community point to social objectives.

10. 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 to achieve organisational goals.
- Positive motivation offers rewards, while negative motivation uses fear, punishment or the threat of adverse consequences.

Step 1: Identify the positive and negative methods The company 'rewards them with increase in pay, promotion, recognition' on one side. These desirable rewards show positive motivation. On the other side it 'stops increments, gives punishment, threatens employees', which shows negative motivation through fear of an unfavourable consequence.

Step 2: Select the feature illustrated The contrast between rewards and punishments directly establishes that motivation can be either positive or negative. Complexity concerns differences in people and their needs; internal feeling concerns the source of motivation within a person. Goal-directed behaviour is an outcome of motivation, but does not capture the two contrasting methods emphasised here.

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

Quick Tip to Solve: Look for the contrast: rewards indicate positive motivation, while punishment and threats indicate negative motivation.

11. 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 future fund requirements and determines how those requirements will be met.
- Its detailed plans help coordinate decisions and reduce waste, duplication of effort and gaps in planning.

Step 1: Recognise the negative wording The question asks for the statement that does not highlight the importance of financial planning. Statement (D) says that detailed plans increase waste, duplication of efforts and gaps in planning. This reverses the actual benefit: such plans reduce these problems by providing clarity and coordination.

Step 2: Check the remaining statements Statement (A) correctly describes forecasting under different business situations. Statement (B) correctly identifies preparation for future conditions and avoidance of shocks and surprises. Statement (C) correctly describes the continuing link between investment decisions and financing decisions. Since all three are benefits, none answers this negative question.

Step 3: Conclusion Statement (D) incorrectly says that financial planning increases waste and duplication. Hence, the correct option is (D).

Quick Tip to Solve: Circle the word not mentally, then check whether each statement gives a benefit or reverses a benefit of planning.

12. 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 an organisation must adapt its goals and activities to changes in its environment.
- Changing customer preferences and methods of reaching customers require management to modify business practices.

Step 1: Identify the change in the case The organisations have 'adapted themselves to changing environment' and developed a 'strong presence on social media like Facebook, Instagram'. Their methods of reaching and engaging customers change with the surrounding business environment. This adaptation is evidence of management being dynamic.

Step 2: Distinguish the remaining features Group activity means coordinating people's efforts towards common objectives. A continuous process means that management functions recur without stopping. Multidimensional management involves managing work, people and operations. These are valid characteristics, but adaptation to environmental change specifically identifies a dynamic function.

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 adaptation to new conditions, select the dynamic nature of management rather than its continuity or group character.

13. 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 entitles consumers to adequate information about a product's quality, quantity, price, ingredients and other relevant particulars.
- Accurate product information enables an informed choice and helps prevent misleading or unfair practices.

Step 1: Match the label details with the right The label provides 'ingredients, date of manufacture, quantity, price, directions for use'. These details tell consumers what they are buying, its age, how much it costs and how to use it. Providing such information satisfies the right to be informed.

Step 2: Rule out the other rights The right to safety protects against hazardous goods and services; directions may support safe use, but the full list here concerns product information. The right to be assured concerns access to a variety of goods and services at competitive prices. The right to be heard concerns representation of consumer interests and complaints. Neither describes disclosure on a label.

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

Quick Tip to Solve: Product particulars on a label point to information; distinguish them from safety protection, variety of choice and hearing of complaints.

14. 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, lifestyles and changes in people's roles in society.
- A growing presence of women in the workforce changes shopping needs and routines, creating business opportunities.

Step 1: Trace the business response to its cause The case begins with the 'increasing presence of women in the workforce'. Kisan Mart responds by offering discounts to 'attract office-going women to shop on weekends'. The underlying change is in women's social and occupational roles and the resulting lifestyle, so the relevant dimension is social environment.

Step 2: Eliminate the other dimensions The legal environment concerns laws and regulations, which are not the trigger here. The political environment concerns political conditions and government attitudes. The technological environment concerns changes in methods, equipment and technology. The case names no new law, political development or technological innovation; its cause is a social trend.

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

Quick Tip to Solve: Identify the change causing the business response: workforce participation and shopping lifestyles are social trends, even when the response is a discount offer.

15. 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:

- An opportunity is a positive external trend or change that can help a firm improve its performance. Understanding the business environment helps an entrepreneur recognise such opportunities.
- The first mover advantage arises when a business recognises and exploits an opportunity before its competitors.

Step 1: Identify the environmental opportunity Raunaq noticed an unmet demand: students needed food 'round the clock'. The university setting, where students study day and night, created a favourable opportunity for a food joint rather than a warning of danger.

Step 2: Connect the evidence with the correct importance The decisive words are 'he was the first one to recognize the need'. By opening Hunger Point before others responded, he obtained the first mover advantage. Option (B) concerns threats, which are not described. Option (C) focuses on planning and policies, whereas the case stresses recognising an opportunity first. Option (D) is a general benefit; the profits are the outcome of the specific opportunity identified in (A).

Step 3: Conclusion The importance is that the business environment enables the firm to identify opportunities and get the first mover advantage. Hence, the correct option is (A).

Quick Tip to Solve: When a case says an entrepreneur was the first to recognise an unmet need, link it to opportunity identification and the first mover advantage.

16. 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 organisation as a whole, including its welfare, survival and overall direction.
- Middle management translates overall plans into departmental action; operational management supervises workers directly.

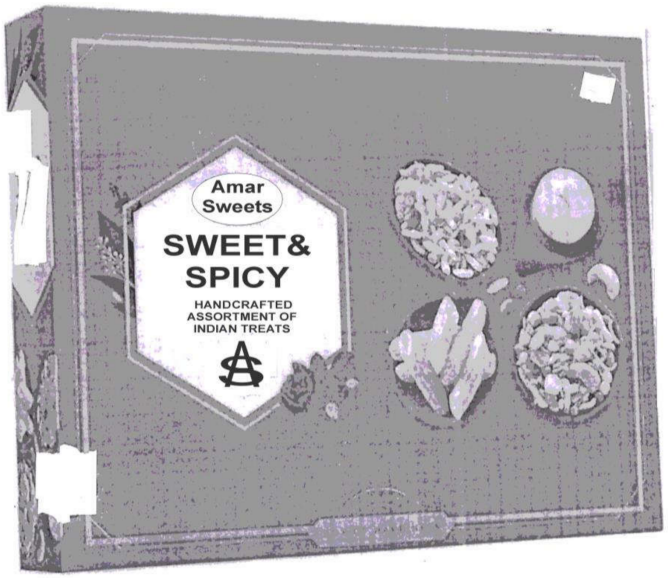
Step 1: Match the top and middle levels Top Level Management matches (iii), because responsibility for the 'welfare and survival of the organisation' extends across the whole organisation. Middle Level Management matches (ii), because departmental managers must ensure that their department has the personnel required to implement its plans.

Step 2: Match the operational level and compare options Operational Management matches (i): supervisors 'directly oversee the efforts of the workforce'. Thus the matching is 1-(iii), 2-(ii), 3-(i). Option (A) incorrectly assigns direct supervision to the top level and survival to the operational level. Option (C) interchanges middle and operational functions. Option (D) assigns the departmental staffing function to the top level and overall survival to the middle level.

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

Quick Tip to Solve: Use the scope of responsibility: the whole organisation means top level, a department means middle level, and direct worker supervision means operational level.

17. 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, including words, letters or numbers used to identify a product.
- A brand mark is the recognisable symbol or design forming part of a brand. A trademark is a brand or part of it given legal protection.

Step 1: Identify the visible brand elements The package shows the words 'Amar Sweets', which can be pronounced and therefore constitute the brand name. It also shows a distinctive stylised symbol below the product description, which is a visual design and constitutes a brand mark.

Step 2: Eliminate the incomplete descriptions Option (B) ignores the visible symbol and option (C) ignores the written brand name. Option (A), 'Trade Mark only', does not describe the two visible branding elements; legal protection is a separate status and cannot replace their identification as a name and a mark. The picture depicts both the spoken name and the recognisable design, as stated in option (D).

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

Quick Tip to Solve: First separate the words you can pronounce from the visual symbol: the former is a brand name and the latter a brand mark.

18. 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 an organised market for existing securities and facilitates liquidity, marketability and regulated trading.
- Providing scope for speculation within legal limits is a recognised stock exchange function; eliminating every possibility of speculation is not.

Step 1: Check the three recognised functions Option (A) is a function because holders can sell existing securities and convert investments into cash. Option (B), spreading the equity cult, is also a function: organised trading and information encourage wider equity ownership. Option (C) is a function because regulation and prescribed procedures promote the safety of transactions.

Step 2: Identify the statement that reverses a function Option (D) claims that the exchange ensures 'there is no scope for speculation'. In fact, a stock exchange provides scope for speculation within the provisions of law. Such speculative activity can support liquidity and demand and supply in securities. Regulation controls trading practices; it does not mean that all speculation is eliminated. Therefore (D) is the statement that is not a function.

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

Quick Tip to Solve: Watch for an absolute negative: the exchange permits speculation within legal limits, so a claim of no speculation reverses the textbook function.

19. 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 old Rs 500 and Rs 1,000 notes ceased to be legal tender under the measure described.
- The measure aimed to curb corruption and black money and channel savings into the formal financial system, with restrictions on convertibility.

Step 1: Locate the incorrect qualification Option (A) adds the exception 'except for buying properties'. This is incorrect: withdrawn notes did not remain legal tender for purchasing property. The withdrawal of legal tender status cannot be described as preserving their use for such purchases.

Step 2: Check why the other statements are not selected Option (B) correctly states the aim of curbing corruption and the accumulation of black money. Option (C) describes the channelising of savings into the formal financial system through tax administration. Option (D) correctly refers to restrictions on the convertibility of domestic money and bank deposits. Since the question asks for the incorrect statement, these features leave option (A), with its false property-purchase exception, as the answer.

Step 3: Conclusion The statement that demonetised notes continued as legal tender for buying properties is incorrect. Hence, the correct option is (A).

Quick Tip to Solve: In a question on legal tender, inspect any stated exception carefully; the property-purchase exception is what makes this option incorrect.

20. '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's theory assumes that behaviour is based on needs and that needs are arranged in a hierarchy from basic needs to higher level needs.
- A satisfied need no longer motivates a person. Once a lower level need is satisfied, the person moves towards the next higher level need.

Step 1: Check the valid assumptions Option (A) is correct because needs influence people's behaviour. Option (B) correctly states that a satisfied need can no longer motivate a person. Option (C) correctly places needs in a hierarchy that starts with basic needs and extends to higher level needs. These are assumptions of the theory, so none is the required incorrect statement.

Step 2: Identify the reversed direction Option (D) says that a person moves to a 'lower level of need' when a 'higher level need is satisfied'. This reverses the direction assumed by the hierarchy. Under the theory, satisfaction of a lower level need makes the next higher level need prominent. For example, after basic physiological needs are met, safety needs become more relevant. The statement in (D) therefore contradicts the progression described by Maslow.

Step 3: Conclusion The incorrect assumption is the statement that a person moves to a lower level when a higher level need is satisfied. Hence, the correct option is (D).

Quick Tip to Solve: Read the direction words closely: satisfaction of a lower need leads towards a higher need, rather than the reverse.

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21. 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 training method in which employees learn their jobs on equipment similar to that used at the actual workplace, in a separate training setting.
- Training improves an employee's knowledge, skills and ability to perform the job. Its individual benefits include better performance and earning capacity, and greater safety while using equipment.

Step 1: Identify and explain the training method **(i) Vestibule training:** The case states that "two aircrafts would be used to train the pilots" so that they achieve proficiency "before they would actually fly them". Thus, the pilots practise handling the equipment in a training setting before taking up actual operational duties. This is vestibule training: actual work conditions are reproduced and trainees use equipment of the kind they will handle at work, while training is kept separate from regular operations.

Step 2: State two benefits to the pilots **(ii) Higher earning capacity:** The pilots acquire improved skills and knowledge, enabling them to perform better. Better performance can improve their career prospects and help them earn more.

Greater safety: Practice teaches the pilots to handle aircraft equipment correctly and efficiently. This makes them less prone to accidents when they undertake their actual duties and increases their personal safety.

Step 3: Conclusion The method is **vestibule training**. It prepares the pilots on aircraft equipment before actual flying duties; two individual advantages are improved earning capacity through better performance and reduced risk of accidents through safer handling of equipment.

Quick Tip to Solve: Separate practice on workplace-like equipment points to vestibule training. When benefits to employees are asked, emphasise their earnings, career or safety rather than the employer's profits.

22(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 involves execution of a purchase or sale through a broker, written confirmation of the trade, and settlement of the obligations of the buyer and seller.
- A contract note provides documentary evidence of the transaction. The settlement cycle states when payment and delivery must be completed relative to the trading day.

Step 1: Explain the contract note **Contract Note:** It is a written confirmation issued by the broker to the client within 24 hours of executing the order. It contains details such as the securities bought or sold, their quantity and price, the date and time of the deal, and brokerage charges. It also carries the unique order code assigned by the stock exchange to the transaction. The note is an important legal document: it provides evidence of the trade and can be used for settlement of a dispute between the client and the broker.

Step 2: Explain the T+2 settlement system **T+2 System:** Here, T denotes the day on which the securities transaction takes place. The transaction is settled on the second working day after that trading day. Settlement means completion of the buyer's payment obligation and the seller's obligation to deliver the securities, through the prescribed settlement mechanism. For example, if a trade is executed on Monday and there are no intervening holidays, its T+2 settlement falls on Wednesday. Holidays are excluded because the cycle is counted in working days.

Step 3: Conclusion A **contract note** is the broker's written confirmation and legal evidence of an

executed trade. Under the **T+2 system**, the trade is settled on the second working day after the transaction day.

Quick Tip to Solve: Keep confirmation and settlement distinct: the contract note records the deal, while T+2 tells when payment and delivery obligations are completed.

OR

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

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) regulates the securities market to promote its orderly functioning and protect investors. Its functions are commonly grouped as regulatory, development and protective functions.
- Regulatory functions involve prescribing and enforcing rules for market participants, registering intermediaries and supervising the working of stock exchanges and other regulated entities.

Step 1: State the rules and registration functions **1. Regulation of business in stock exchanges:** SEBI regulates the business conducted in stock exchanges and other securities markets. It lays down a framework of rules and regulations so that securities transactions take place in an orderly manner under a common set of requirements.

2. Registration and regulation of intermediaries: SEBI registers and regulates the working of stockbrokers, sub-brokers, share-transfer agents and other intermediaries associated with the securities market. Registration brings these participants within its regulatory framework and makes them subject to the prescribed conditions for carrying on their activities.

Step 2: State the supervision function **3. Calling for information and conducting inspections:** SEBI calls for information, undertakes inspections, conducts inquiries and carries out audits of stock exchanges, intermediaries and self-regulatory organisations in the securities market. These powers enable it to examine whether their activities comply with the applicable rules and to identify irregularities requiring regulatory action.

Step 3: Conclusion Three regulatory functions of SEBI are regulating the business of stock exchanges and securities markets, registering and regulating market intermediaries, and supervising them by seeking information and conducting inspections, inquiries and audits.

Quick Tip to Solve: For regulatory functions, recall rules, registration and supervision. Do not replace them with development measures such as training or protective measures such as prohibiting insider trading.

23. 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 that management must achieve for the enterprise as a whole: survival, profit and growth.
- Survival requires adequate revenue to meet costs; profit provides an incentive and covers risks; growth means expansion of the enterprise's activities and scale of operations.

Step 1: Identify survival from the recovery of costs **Survival:** The line is: "Since its inception, 'Quick Solutions' was earning enough revenue to cover the costs." Every business must first survive in the market. To continue operating, the organisation must earn enough revenue to meet its costs. Covering costs shows that Quick Solutions was achieving this basic organisational objective, even before the case mentions the earning of profits.

Step 2: Identify profit from the incentive to continue **Profit:** The relevant lines are: "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 for sustained success. Profit supplies an incentive for continued operation and is essential for covering the costs and risks of the business. Thus, earning profits represents its second organisational objective.

Step 3: Identify growth from the expansion of operations **Growth:** The lines are: "the customer base increased manifold" and "Sana and Mihir decided to make additional capital investment and hired more employees." The company also "expanded their product line to meet emerging market demands." Growth means increasing the scale and scope of business activities. A larger customer base, greater capital investment, more employees and an expanded product line are concrete indicators that Quick Solutions was pursuing growth.

Step 4: Conclusion Quick Solutions seeks to achieve the organisational objectives of **survival, profit and growth**, evidenced respectively by covering costs, earning profits and expanding its capital, workforce, customer base and product line.

Quick Tip to Solve: Match the case clues in sequence: covering costs indicates survival, surplus earnings indicate profit, and expansion of resources or operations indicates growth.

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

Solution:

Concept:

- Psychological barriers arise from the state of mind and emotions of the sender or receiver. They obstruct the correct transmission, reception or understanding of a message.
- Effective communication requires an open mind, attentive listening and an evaluation of the complete message before a judgement is formed.

Step 1: Explain premature evaluation **Premature evaluation:** A receiver sometimes judges the meaning or value of a message before the sender has completed it. Such a judgement may be based on preconceived notions, personal experience or prejudice. Consequently, the receiver may reject the message or interpret it incorrectly without considering all the relevant facts. For example, a manager who dismisses a suggestion after hearing only its opening sentence prevents its full meaning from being understood.

Step 2: Explain lack of attention **Lack of attention:** When the receiver's mind is preoccupied, the receiver may not listen carefully to the message. Parts of the information are then missed, and the intended meaning may be lost. For example, an employee worried about a personal problem may fail to register important instructions even though the manager communicates them clearly. Physical presence alone does not ensure attentive reception.

Step 3: Explain distrust **Distrust:** If the sender and receiver do not trust one another, they may not understand the message in its original sense. The receiver may doubt the sender's motives, suspect that facts are being concealed, or give an unintended meaning to even a clear statement. For example, an employee who distrusts management may interpret a genuine explanation of a new procedure as an attempt to impose an unfair workload.

Step 4: Conclusion Three psychological barriers to communication are **premature evaluation, lack of attention and distrust**. Each prevents the receiver from considering the sender's complete message accurately and objectively.

Quick Tip to Solve: For each psychological barrier, state the mental obstacle and then explain how it distorts or prevents understanding of the message.

OR

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

Solution:

Concept:

- Directing is the process of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- It converts plans into action and guides human effort towards common goals. Effectiveness means achieving the desired objectives, while efficiency means doing so with minimum waste of resources.

Step 1: Explain how directing initiates action **Initiates action:** Planning, organising and staffing prepare the organisation for work, but employees must actually perform their assigned tasks to obtain results. Directing tells them what to do, guides their performance and motivates them to begin work. It therefore translates managerial decisions into purposeful action. By giving clear instructions and resolving doubts about the work, managers help employees achieve the intended objectives and avoid unnecessary delay or misdirected effort.

Step 2: Explain how directing integrates efforts **Integrates employees' efforts:** Different employees carry out different activities and may have their own interests or ways of working. Through guidance, supervision and leadership, directing brings their individual efforts into line with organisational goals. Managers ensure that people work together rather than at cross-purposes. This coordination reduces duplication and conflicting actions, making collective effort more productive and helping the organisation achieve its objectives with less waste.

Step 3: Explain how directing realises employees' potential **Realises employees' potential:** Directing helps employees use their abilities fully. Proper motivation encourages them to contribute willingly, while leadership and guidance build confidence and improve the way they perform their tasks. A manager can guide an employee towards work suited to that person's capabilities and encourage improvement. Consequently, the organisation benefits from better performance and more effective use of its human resources.

Step 4: Conclusion Directing improves effective and efficient functioning by **initiating action, integrating employees' efforts and helping employees realise their potential**. These contributions turn organisational plans and available resources into coordinated performance.

Quick Tip to Solve: Link every importance point to a result: action starts work, integration aligns effort, and realising potential improves the use of employees' abilities.

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

(i) Marketing planning

(ii) Gathering and analyzing market information [4 marks]

Solution:

Concept:

- Marketing functions are the activities undertaken to identify customer needs and satisfy them through suitable goods and services. They help an enterprise achieve its marketing objectives.
- Marketing planning sets out how the enterprise will reach its objectives, while gathering and analysing market information provides the factual basis for its marketing decisions.

Step 1: Explain marketing planning **(i) Marketing planning:** This means developing appropriate marketing plans to achieve the organisation's marketing objectives. The firm first specifies what it wants to achieve, such as increasing its market share or sales, and then decides the activities and resources required to achieve that target. For example, a plan to increase market share may include increasing production, promoting the product more widely and ensuring that it is available through suitable distribution channels. The plan must specify an effective programme of action rather than

merely state an ambition.

Step 2: Explain the role of market information **(ii) Gathering and analysing market information:** A marketer collects relevant information to identify customers' needs and to analyse the opportunities, threats, strengths and weaknesses affecting the business. Information may concern what customers want to buy, their purchasing power and preferences, competitors' offerings, and changes in the market environment. The collected facts are then systematically analysed so that the firm can make sound marketing decisions. For example, studying customers' preference for convenient packaging can help the enterprise decide the package and product features to offer. Thus, analysis converts market data into a useful basis for decisions about products, prices, promotion and distribution.

Step 3: Conclusion Marketing planning prepares the programme for achieving marketing objectives. Gathering and analysing market information identifies customer needs and market conditions, enabling the enterprise to prepare and implement informed marketing plans.

Quick Tip to Solve: Keep the distinction clear: information tells the marketer what the market needs; planning states what the firm will do to meet those needs and reach its objectives.

OR

25(b). Explain the following factors which affect the fixation of price of a product :

(i) Product cost

(ii) Utility and Demand [4 marks]

Solution:

Concept:

- Price determination requires the marketer to consider both the cost of supplying a product and the value that customers perceive in it. Cost and demand therefore influence the range within which a price can be fixed.
- Costs set the minimum price needed for long-term viability, whereas the product's utility to buyers and the intensity of demand influence the maximum price they will be willing to pay.

Step 1: Explain the influence of product cost **(i) Product cost:** The cost of producing, distributing and selling a product is an important factor in price fixation. It includes fixed costs, which remain unchanged in total over a given range of output, and variable costs, which change with the level of production. Their sum is the total cost of the product. In the long run, the selling price must cover all these costs and provide a reasonable profit margin if the business is to survive. Hence, cost generally determines the minimum price, or floor price. A firm may temporarily sell below total cost, for example when introducing a product or facing intense competition, but it cannot normally continue doing so indefinitely.

Step 2: Explain the influence of utility and demand **(ii) Utility and demand:** The utility or benefit that the buyer expects from a product affects the amount the buyer is willing to pay. A customer ordinarily buys only when the perceived value of the benefit is at least equal to the price. Thus, perceived utility and the intensity of demand help determine the upper limit of price. The marketer

must also consider the price elasticity of demand. If demand is elastic, a rise in price causes a relatively large fall in demand, so the firm has less freedom to charge a high price. If demand is inelastic, demand changes relatively little when price changes and the firm has greater scope to charge a higher price. Price should therefore reflect customer value and the likely response of demand, rather than costs alone.

Step 3: Conclusion Product cost sets the lower limit that should normally be covered in the long run. Utility and demand determine what customers are willing to pay and how sales will respond to price changes, thereby influencing the upper limit and the final price chosen.

Quick Tip to Solve: Remember the pricing range: cost provides the floor, while perceived utility and demand provide the ceiling. Then use elasticity to explain customers' response to a price rise.

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26. 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 is the combination of Product, Price, Place and Promotion used by a firm to achieve its marketing objectives in its target market.
- Place makes goods available at the right place and time; promotion communicates their merits and persuades target customers to buy them.

Step 1: Identify and explain Place **Place (physical distribution):** The relevant lines are: "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."

Place concerns the activities that make the product available to target customers. It includes choosing channels of distribution and managing physical distribution through transportation, inventory control, storage and warehousing. Children's Delight's stores provide locations where children can obtain its books, while its inventory and warehousing arrangements support their availability and delivery across India. Thus, the case describes the distribution element, rather than merely the qualities of the books.

Step 2: Identify and explain Promotion **Promotion:** The relevant line is: "The bookstore regularly communicates the availability, features, merits, etc. of the books to target customers and persuades them to buy the books."

Promotion consists of activities that communicate the availability and merits of a product to target customers and persuade them to purchase it. Its tools include advertising, personal selling, sales promotion and public relations. The quoted activity creates awareness of the books and encourages buying, so it directly represents promotion. The case does not specify a price or discount; therefore, Price is not the second element highlighted by this statement.

Step 3: Conclusion The two elements, in addition to Product, are **Place**, shown by the stores and physical distribution arrangements, and **Promotion**, shown by communication intended to inform and persuade customers.

Quick Tip to Solve: In a marketing-mix case, connect stores, stock and delivery with Place; connect communication and persuasion with Promotion, quoting a separate case line for each.

27(a). Explain any four characteristics of planning. [4 marks]

Solution:

Concept:

- Planning means thinking in advance about what is to be done and how it is to be done. It involves setting objectives and deciding a course of action to achieve them.
- Planning gives direction to managerial effort by relating present decisions to desired future results. Its characteristics describe how this management function operates.

Step 1: Explain the focus on objectives **Planning focuses on achieving objectives:** Every plan is prepared to achieve specified organisational objectives. Management first establishes the desired results, then decides the activities needed to attain them. A plan has meaning only when it contributes to these predetermined goals; it does not consist of unrelated actions. For example, a sales plan specifies actions to achieve a particular sales target.

Step 2: Explain its primary position **Planning is a primary function of management:** Planning lays the foundation for all other managerial functions. Organising, staffing, directing and controlling are carried out within the framework of plans. A manager must know what is to be achieved before deciding the resources, people and instructions required. Plans also supply the standards against which actual performance is controlled.

Step 3: Explain its pervasive nature **Planning is pervasive:** Planning is required at every level of management and in every department of an organisation. Its scope varies with the level: top management plans for the organisation as a whole, middle management prepares departmental plans, and lower management plans day-to-day operations. Thus, planning is not confined to senior managers or to one functional area.

Step 4: Explain its future orientation **Planning is futuristic:** Planning involves looking ahead and anticipating future events rather than merely reacting after they occur. Managers forecast future conditions, such as demand and competition, to decide suitable action in advance. Forecasting provides a basis for planning, although forecasts cannot eliminate all uncertainty. Present choices are therefore made with the organisation's future requirements in view.

Step 5: Conclusion Four characteristics of planning are its focus on objectives, its position as the

primary management function, its pervasive nature and its futuristic orientation.

Quick Tip to Solve: Use four distinct textbook headings and explain each: objectives give the destination, primacy gives the order, pervasiveness gives the coverage, and futurity gives the time focus.

OR

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

Solution:

Concept:

- Decentralisation means the systematic delegation of authority throughout all levels of an organisation. Decision-making authority is shared with lower levels rather than remaining concentrated at the top.
- Its importance follows from placing authority closer to the work: subordinates can exercise judgement, develop managerial ability and respond promptly within the powers assigned to them.

Step 1: Develop initiative among subordinates **Develops initiative among subordinates:** Decentralisation gives lower-level managers freedom to take decisions and act within their authority. They learn to rely on their own judgement instead of asking superiors about every matter. This builds confidence and encourages initiative, creativity and a willingness to accept responsibility for results.

Step 2: Build future managerial talent **Develops managerial talent for the future:** By making decisions and handling the consequences, subordinates gain practical managerial experience. They learn to analyse situations, use resources and solve problems. This provides on-the-job training and prepares a pool of capable managers who can take up positions of greater responsibility in the future.

Step 3: Speed up decisions **Facilitates quick decision-making:** Authority is placed near the point where action is required. Managers who know the local problem can decide without repeatedly sending proposals up a long chain of command. Fewer levels have to be consulted, reducing delays and allowing a faster response to changing operating conditions.

Step 4: Reduce the burden on senior managers **Provides relief to top management:** Lower-level managers deal with routine operating decisions under the authority delegated to them. Senior managers therefore have more time for important policy matters, strategic planning and the overall direction of the organisation. This helps them concentrate on areas requiring their special attention.

Step 5: Conclusion Thus, decentralisation develops initiative, builds future managerial talent, facilitates quick decisions and provides relief to top management. These benefits arise when responsibility is supported by sufficient decision-making authority at lower levels.

Quick Tip to Solve: Remember initiative, managerial talent, quick decisions and relief to the top; explain how the sharing of authority produces each benefit.

28. State any four points of importance of consumer protection from the point of view of business.

[4 marks]

Solution:

Concept:

- Consumer protection involves safeguarding consumers against unfair practices and ensuring that business respects their rights and legitimate interests.
- From the business point of view, protecting consumers supports lasting success and reflects the responsibility that accompanies the use of society's resources. The following are four points of its importance.

Step 1: Recognise the long-term interest of business **Long-term interest of business:** A business serves its own long-term interest by satisfying consumers and retaining their trust. Satisfied consumers make repeat purchases and share favourable experiences with others. Fair dealing and the protection of consumer interests therefore help a firm build goodwill, expand its customer base and sustain business over time.

Step 2: Acknowledge the use of society's resources **Business uses society's resources:** Business organisations use resources that belong to society, including human, financial and material resources. They consequently have an obligation to supply products and services that benefit society. Protecting consumers helps ensure that these resources are used responsibly rather than for gains achieved through exploitation.

Step 3: Discharge social responsibility **Social responsibility:** Business has responsibilities towards different groups, and consumers are an important group on which its survival depends. It should look after their interests by providing safe, dependable products, truthful information and fair treatment. Consumer protection is thus an essential part of fulfilling the firm's responsibility to its customers.

Step 4: Fulfil the moral obligation **Moral justification:** It is the moral duty of business to take care of consumers' interests and avoid their exploitation. Practices such as adulteration, misleading advertising, poor-quality goods and unfair prices are unethical. Protecting consumers is important because business conduct should be just and honest, even where a firm could otherwise gain from an unfair practice.

Step 5: Conclusion Consumer protection is important to business because it serves its long-term interest, recognises its use of society's resources, fulfils its social responsibility and is morally justified. These reasons support fair and responsible dealings with consumers.

Quick Tip to Solve: For the business viewpoint, recall long-term interest, society's resources, social responsibility and moral justification; do not substitute consumers' rights for these reasons.

29. 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 is the managerial function of filling and keeping filled the positions in the organisation structure. It continues after recruitment, selection and initial training.
- Performance appraisal evaluates an employee's current or past performance against predetermined standards. Promotion and career planning address advancement and employees' long-term career interests.

Step 1: Identify and explain performance appraisal **Identification and evidence:** The first step is **performance appraisal**. The case states that there was a need to "evaluate their performance against certain pre-determined standards" after the employees had received training and worked for some time.

Explanation: Performance appraisal means evaluating an employee's current or past performance against predetermined standards. The manager defines the job and the performance expected, assesses actual performance and provides feedback to the employee. This helps the employee understand how well the job is being done and where improvement is required. The reference to evaluating performance, rather than imparting skills, makes this appraisal rather than training.

Step 2: Identify and explain promotion and career planning **Identification and evidence:** The second step is **promotion and career planning**. The company had to address "career related issues and promotional avenues", and Vibhas was designing activities to serve employees' "long-term interests".

Explanation: Managers must consider the career development of employees and establish suitable opportunities for their advancement. Promotion involves movement to a higher position, normally carrying greater responsibilities, status and pay. Career planning identifies a suitable path of growth and development within the organisation. Providing such opportunities encourages employees to develop their potential, accept greater responsibility and remain committed to the enterprise.

Step 3: Conclusion The two staffing steps are **performance appraisal**, which assesses performance against established standards, and **promotion and career planning**, which provide advancement opportunities and support employees' long-term development.

Quick Tip to Solve: Link "performance against standards" to appraisal and "promotional avenues" or "long-term interests" to promotion and career planning; training has already occurred in this case.

30. '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:

- Objectives are the desired future positions or end results that management seeks to achieve through its activities. They give direction to organisational effort and serve as standards for judging performance.
- A budget is a statement of expected results expressed in numerical terms for a specified future period. A cash budget estimates cash inflows and outflows to plan the availability of cash.

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

Explanation: Objectives specify what the organisation wants to achieve. They represent the desired future position or the end points towards which managerial activities are directed. Here the sales and profit growth targets state the results Leno wants, and the Platinum Jubilee year specifies the period for achievement. These objectives guide the departmental heads in preparing their own plans and provide a basis for comparing actual sales and profits with the desired results. They state the ends to be achieved, rather than a detailed sequence of actions.

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

Explanation: A budget is a statement of expected results expressed in numerical terms for a future period. The proposed cash budget records expected cash receipts and payments so that the company can arrange adequate cash balances for its activities. It translates the financial implications of plans into figures and helps coordinate the use of funds. Actual cash flows can subsequently be compared with the budgeted figures, making the budget useful for both planning and control. The estimate of 500 additional workers supports resource planning, while the Finance Manager's statement directly identifies the cash budget.

Step 3: Conclusion The plans discussed are **objectives**, shown by the specified sales and profit growth targets, and a **cash budget**, shown by the statement of estimated cash inflows and outflows for the period.

Quick Tip to Solve: Ask whether a numerical statement specifies a desired result or estimates resources: sales-growth targets are objectives, whereas forecast cash receipts and payments form a cash budget.

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

(i) Stability of Personnel

(ii) Esprit de corps

(iii) Order [6 marks]

Solution:

Concept:

- Henri Fayol's principles of general management guide managers in organising work and maintaining effective relationships within an enterprise.
- Stability of personnel promotes continuity, esprit de corps promotes team spirit, and order provides a proper place for people and materials.

Step 1: Explain stability of personnel **(i) Stability of Personnel:** Employees should be selected and appointed after a due and rigorous procedure and then retained for a reasonable minimum period in their posts. Frequent transfers and dismissals should be avoided because a person needs time to learn the job, adjust to the organisation and become efficient.

A stable tenure gives employees security and encourages them to contribute their best. High employee turnover creates instability and additional recruitment, selection and training costs; it also wastes the experience an employee has acquired. For example, retaining a trained supervisor gives the supervisor time to understand the production process and improve team performance.

Step 2: Explain esprit de corps **(ii) Esprit de corps:** Management should promote team spirit, unity and harmony among employees. Fayol emphasised that an organisation succeeds through a united team rather than isolated individual efforts. A manager should replace "I" with "We" in conversations and encourage employees to identify with the group's objectives.

Such conduct develops belongingness, mutual trust and cooperation. Each member feels encouraged to contribute to the team's success, while unnecessary conflicts are reduced. Managers should therefore recognise collective effort and avoid actions that divide employees; a team cooperating to complete an order illustrates this principle.

Step 3: Explain order **(iii) Order:** There should be a place for everything and everyone, and everything and everyone should be in its designated place. Material order means arranging tools, equipment and other resources in suitable locations; social order means placing the right person in the right job and location.

A proper arrangement prevents confusion and unnecessary searching. When workers and materials are available at their allotted places, work proceeds smoothly, time is saved and efficiency improves. For example, a workshop should keep tools at marked stations and assign qualified workers to the jobs suited to their abilities.

Step 4: Conclusion Stability of Personnel requires reasonable continuity of service; Esprit de corps requires unity and team spirit; and Order requires the proper placement of people and materials. Together, these principles support efficient and harmonious organisational work.

Quick Tip to Solve: Link the three terms to tenure, teamwork and placement respectively; explain the meaning and one practical effect of each.

OR

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

(i) General guidelines

(ii) Mainly behavioural

(iii) Contingent [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour, developed through observation, experience and experimentation.
- They deal with people in changing situations. Their application therefore requires judgement rather than mechanical use as fixed rules.

Step 1: Explain general guidelines **(i) General guidelines:** Principles of management provide broad guidance for solving managerial problems. They do not supply ready-made or straitjacket solutions for every possible situation, because real business situations are complex, dynamic and influenced by many factors.

A manager must interpret a principle and decide how to apply it to the particular problem. For example, the principle of fair remuneration guides an enterprise to pay employees equitably, but it does not specify a single wage suitable for every organisation. The actual wage must be decided after considering the job, the enterprise's capacity to pay and prevailing conditions. Thus a principle guides managerial judgement without replacing it.

Step 2: Explain mainly behavioural **(ii) Mainly behavioural:** Management principles are mainly concerned with influencing human behaviour. They guide relationships between superiors and subordinates and among employees, so that people cooperate in achieving organisational objectives.

Human behaviour is complex and is not completely predictable; individuals differ in needs, attitudes and responses. Consequently, management principles cannot claim the exactness associated with principles of the physical sciences. They nevertheless help managers understand and influence conduct. For example, esprit de corps encourages a manager to develop cooperation and team spirit. Management also deals with resources, but these principles primarily address the human element and the relationship between people and their work.

Step 3: Explain contingent application **(iii) Contingent:** The application of management principles depends upon the prevailing situation at a particular point of time. The same principle cannot be applied identically in every enterprise or circumstance; managers must consider the nature of the task, employees and operating conditions.

For example, remuneration should be fair and equitable, but the amount depends on such circumstances as the organisation's paying capacity and prevailing wage rates. A suitable application therefore changes with the situation while retaining the underlying guidance. Contingency means adapting a principle intelligently to the circumstances, rather than assuming that it guarantees the same result everywhere.

Step 4: Conclusion Management principles are general guidelines rather than ready-made solutions, are mainly behavioural because they influence people, and are contingent because their application

depends on prevailing circumstances. Effective managers use them with an understanding of the situation.

Quick Tip to Solve: For each feature, state its meaning and explain its implication: guidance needs judgement, people vary, and situations determine application.

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

(i) Return on Investment

(ii) Floatation Costs

(iii) Flexibility [6 marks]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company's long-term funds. Debt involves compulsory interest and repayment, whereas equity does not carry a fixed payment obligation.
- The choice should balance the possible increase in shareholders' earnings against financial risk, the cost of raising funds and the ability to obtain finance in the future.

Step 1: Explain return on investment **(i) Return on investment:** Return on investment indicates the earning capacity of the funds employed in the business. Before increasing debt, the company compares this return with the rate of interest payable on borrowed funds.

When the return on investment is higher than the interest rate, the company can consider using more debt. After meeting the fixed interest cost, the additional earnings are available to equity shareholders; consequently, the use of debt can increase their earnings per share. This favourable effect is called trading on equity. If the return is lower than the interest rate, borrowing places a burden on shareholders' earnings and a larger equity component is preferable. Thus, debt is attractive only when the company's earning capacity supports its fixed cost.

Step 2: Explain floatation costs **(ii) Floatation costs:** These are the costs of raising finance, such as underwriting commission, brokerage, advertising and the expenses of issuing securities. They reduce the net amount of funds received by the company.

Raising funds through a public issue of shares or debentures generally involves more floatation costs than obtaining a loan from a financial institution. Therefore, other things being equal, a company prefers the source with lower floatation costs. If the cost of issuing equity is high in comparison with borrowing, debt may become more attractive. However, the company considers these costs along with risk and other factors; it does not decide its capital structure solely on issue expenses.

Step 3: Explain flexibility **(iii) Flexibility:** Flexibility means retaining the ability to raise additional funds whenever required. A company must preserve borrowing capacity instead of using its entire debt capacity at the outset.

If a company already has a large proportion of debt, lenders may be unwilling to provide further loans, or may impose restrictive conditions. Its future financing choices then become limited, especially during an emergency or when an investment opportunity arises. A company seeking greater financial

flexibility therefore keeps debt below its maximum possible limit and maintains an appropriate equity base. This leaves room to borrow later and allows it to adjust its financing to changing requirements.

Step 4: Conclusion A high return relative to interest can favour debt; lower floatation costs can make one source more economical; and the need for flexibility requires the company to retain unused borrowing capacity. These factors jointly guide a balanced debt-equity mix.

Quick Tip to Solve: For each factor, state its meaning and then its effect on the debt-equity choice: compare return with interest, compare issue costs, and preserve future borrowing capacity.

OR

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

(i) Nature of business

(ii) Business cycle

(iii) Inflation [6 marks]

Solution:

Concept:

- Working capital finances day-to-day business operations, including inventories, amounts receivable from customers and routine cash payments. Its requirement depends on the scale and conditions of current operations.
- Net working capital is the excess of current assets over current liabilities. A business must provide sufficient short-term funds to keep its operating cycle moving without holding unnecessarily idle resources.

Step 1: Explain the nature of business **(i) Nature of business:** The activity carried on by a company determines the current assets it must maintain and, therefore, its working capital requirement. Different types of business have different operating cycles.

A trading concern normally needs less working capital than a manufacturing concern because it buys finished goods and sells them without undertaking production. A manufacturing concern must finance raw materials, work-in-progress and finished goods, besides expenses incurred during production, so more funds remain tied up in operations. Service organisations, such as transport businesses, generally need relatively less working capital since they do not maintain large stocks of goods. Thus, the nature and length of the business process influence the funds required for everyday operations.

Step 2: Explain the business cycle **(ii) Business cycle:** Changes in general business conditions influence demand, production and sales, and consequently the amount of working capital required.

During a boom, demand rises and a company normally increases production and sales. It needs larger inventories, incurs higher operating expenses and may have more money tied up in debtors as credit sales expand. Its working capital requirement therefore increases. During a depression, demand and sales fall; production and the level of inventories generally decline, reducing the funds required for regular operations. The company should accordingly plan its working capital in relation to the phase of the business cycle rather than assume an unchanging requirement.

Step 3: Explain inflation **(iii) Inflation:** Inflation is a general rise in prices. When prices rise, the same physical volume of business requires a larger monetary investment in current assets and operating expenses.

The company has to pay more for raw materials and other supplies and may face higher wage and other operating payments. Maintaining the same quantity of inventory consequently requires more money. Working capital requirements therefore generally increase during inflation, even if the volume of production is unchanged. However, the actual effect differs between companies: if a company can increase its selling prices and recover the rise in costs, the increase in its working capital need may be moderated. The extent of the effect depends on the nature of the business and its ability to pass on higher costs.

Step 4: Conclusion Working capital needs are generally higher for manufacturing than for trading or service activities, rise in a boom and fall in a depression, and increase during inflation as more money is needed to finance the same operating activity.

Quick Tip to Solve: Link each factor to funds tied up in current operations: production stages for nature of business, sales volume for the business cycle, and rupee cost per unit for inflation.

33. 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 organisational activities conform to plans by measuring actual performance, comparing it with standards and correcting deviations.
- Analysing deviations establishes why actual performance differs from standards. Critical point control focuses attention on key result areas, while management by exception brings significant deviations to management's attention.

Step 1: Identify and explain the management function **(i) Controlling:** Nishtha would take a 'weekly report from all the Restaurant Managers' and 'take necessary action to resolve the problems'. These

words show that she monitors actual performance and acts when performance is unsatisfactory. Controlling checks whether activities are being performed according to the plans and whether resources are being used effectively and efficiently to achieve organisational goals. It involves setting performance standards, measuring actual performance, comparing the two, analysing deviations and taking corrective action. The sales decline signals that actual performance needs investigation; receiving reports alone would be insufficient without follow-up action.

Step 2: Explain the analysis of deviations **(ii) Analysing deviations:** Nishtha 'formed a team to find out the causes of the declining customers'. This is the step of analysing deviations: management determines the causes of the difference between expected and actual performance and identifies deviations requiring action. The manager's inability to give 'a clear explanation' makes investigation necessary. Causes could concern a process, resources or employees, but the team must establish the actual cause before any remedy is selected. The statement that customers are the 'key area for restaurant business' and 'critical to the success of business' also illustrates **critical point control**: control attention is directed towards key result areas whose satisfactory performance is vital. All minor deviations do not warrant equal attention; significant deviations are investigated under management by exception.

Step 3: Explain the action after the team's report **(iii) Taking corrective action:** After receiving the report, Nishtha should take corrective action to remove the causes established by the investigation and bring actual performance into line with the standards. The remedy must match the identified cause. For example, if inadequate staff training were established, training would be appropriate; if poor service procedures were established, those procedures should be improved. These are possible remedies, not assumed findings about this restaurant. If the investigation establishes that the standards themselves are unrealistic, she should revise them in light of the changed circumstances. She should subsequently monitor performance to check whether the action restores the required results.

Step 4: Conclusion The function is **controlling**. Nishtha is **analysing deviations**, with attention to the critical area of customer numbers; after the team's report she will **take corrective action** based on the causes found.

Quick Tip to Solve: In a controlling case, separate detecting a fall from finding its cause and removing it: these indicate comparison, analysis of deviations and corrective action respectively.

34. '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 people at work, rather than from formally prescribed authority and responsibility.
- Informal relationships coexist with formal organisation. They can satisfy social needs and speed communication, but can also spread rumours and obstruct organisational change.

Step 1: Identify and explain the organisation supported by Vihaan **(i) Informal organisation:** The organisation Vihaan considers necessary is **informal organisation**. The employees 'developed friendships' and discussed 'personal, social and emotional issues, but also the official ones'. The resulting 'network of social relationships among employees' is the decisive evidence. Such relationships arise naturally through personal interaction, common interests and social needs; management does not deliberately prescribe them in an organisation chart. Their membership and communication need not follow departmental boundaries or the official chain of command. The earlier specification of 'boundaries of authority and responsibility' describes the company's formal organisation, but that is not the network whose social interaction Vihaan is defending. Both networks can exist together in the same enterprise.

Step 2: State two advantages of informal organisation **(ii) Advantages:**

- **Faster communication and feedback:** Information can travel quickly through informal channels because it does not have to pass through every prescribed level of authority. This can provide management with rapid feedback about employees' concerns and reactions, helping it understand workplace issues sooner.
- **Fulfilment of social needs:** Friendship and interaction provide a sense of belonging and emotional

support. This satisfies members' social needs and can improve their job satisfaction. The employees' discussion of 'personal, social and emotional issues' illustrates the social relationships through which this benefit arises.

Step 3: State two disadvantages of informal organisation **Disadvantages:**

- **Resistance to change:** Informal groups may oppose changes that appear to threaten their shared habits or interests. Collective resistance can delay the introduction of improvements and obstruct organisational goals. The General Manager's observation that 'whenever any change is required in the organization, they all resist' directly illustrates this disadvantage.
- **Spread of rumours:** Informal communication can transmit unverified or distorted information quickly. Rumours may create misunderstanding and uncertainty, disturb employees' attitudes and work relationships, and interfere with smooth functioning. This is a general disadvantage of informal organisation; the case does not state that a particular rumour has occurred.

Step 4: Conclusion Vihaan supports **informal organisation**, the spontaneous social network among employees. Its advantages include faster communication and fulfilment of social needs; its disadvantages include resistance to change and the spread of rumours.

Quick Tip to Solve: Identify informal organisation from friendship and spontaneous social interaction. Formal authority boundaries describe the formal structure, even when both appear in the same case.