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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

1. 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 towards organisational goals.
- Positive motivation uses rewards; negative motivation uses the fear of punishment.

Step 1: Identify the positive incentives The company 'rewards them with increase in pay, promotion, recognition'. These benefits encourage employees by satisfying their needs and are examples of positive motivation.

Step 2: Identify the negative incentives It also 'stops increments, gives punishment, threatens employees'. Here fear of an adverse consequence induces action, so motivation is negative. Option (A) concerns differing human responses, while (B) concerns internal needs; neither captures this contrast. Although (D) is generally a feature of motivation, it does not identify the positive and negative methods highlighted together.

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

Quick Tip to Solve: Rewards indicate positive motivation; threats and penalties indicate negative motivation.

2. '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 require an organisation to create benefits for society.
- Organisational objectives concern survival, profit and growth; personal objectives concern employees.

Step 1: Identify the beneficiaries The company 'supports 7 villages with housing facilities, schools, safe drinking water, health and hygiene'. These facilities benefit the community rather than merely the company or its employees.

Step 2: Classify the objective The visits 'every 15 days' ensure that community welfare facilities are implemented, reinforcing a social objective. Option (A) would involve employees' needs such as pay or career growth. Option (C) would focus on the firm's survival, profit and growth. Option (D) concerns economic results, whereas the stated activities provide social welfare.

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

Quick Tip to Solve: Identify who benefits: community welfare facilities point to social objectives.

3. '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 arranges human needs from basic physiological needs to higher needs.
- In the theory, an unsatisfied need motivates behaviour; satisfaction activates the next higher need.

Step 1: Recall the direction of movement A person first seeks satisfaction of lower needs and then

moves towards higher needs. For example, physiological needs precede safety, belongingness, esteem and self-actualisation.

Step 2: Locate the reversed statement Option (D) reverses this sequence: it says that satisfaction of a higher need leads to a lower need. Therefore it is the incorrect assumption. Option (A), that behaviour is based on needs, is an assumption. Option (B), that a satisfied need ceases to motivate, and option (C), that needs are hierarchical from basic to higher levels, also correctly state the theory.

Step 3: Conclusion The incorrect statement is the movement to a lower need after satisfying a higher need. Hence, the correct option is (D).

Quick Tip to Solve: For an incorrect-statement question, compare the direction carefully: Maslow moves from lower to higher needs.

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4. _____ 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 designs work with greater variety, skill, autonomy and responsibility.
- Enriched jobs offer opportunities for personal growth and a meaningful work experience.

Step 1: Recognise the job-design features The description combines 'greater variety of work content', higher knowledge and skill, and 'more autonomy'. These features change the substance and challenge of the job itself.

Step 2: Eliminate the other incentives Job security, option (A), gives stability and assurance of continued employment. Perquisites, option (B), are additional benefits such as housing or medical facilities. Employee recognition programmes, option (C), acknowledge good performance. None of these necessarily redesigns work to provide greater autonomy and growth; job enrichment does.

Step 3: Conclusion The incentive described is job enrichment. Hence, the correct option is (D).

Quick Tip to Solve: Look for changes in the job itself: variety, autonomy and meaningful responsibility signal job enrichment.

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5. 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:

- Financial markets channel savings towards productive investment opportunities.
- Efficient allocation directs scarce funds to uses that contribute most productively to the economy.

Step 1: Evaluate the assertion The assertion is true. When the allocative function works well, available scarce resources reach firms with the highest productivity rather than remaining in less productive uses.

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

Step 3: Test the explanatory link The reason explains how the outcome in the assertion occurs: directing funds towards the most productive opportunities allocates resources to the most productive firms. Thus (B) incorrectly denies the explanatory link. Options (C) and (D) incorrectly treat one of the two true statements as false.

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

Quick Tip to Solve: For assertion-reason items, test truth first, then ask whether the reason explains the outcome in the assertion.

6. 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 through securities accounts.
- It facilitates transfers and delivery or receipt of securities on investors' instructions.

Step 1: Identify the account service The question describes a securities account in which shares are deposited and instructions to deliver or receive shares can be given. These are depository services, typically accessed through a depository participant.

Step 2: Distinguish the alternatives The primary market, option (A), deals with new issues rather than ongoing custody of securities. A stock exchange, option (B), provides a market for trading existing securities. A bank, option (C), ordinarily maintains money deposits; the question specifically concerns custody and transfer of securities. A depository provides the described securities account.

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

Quick Tip to Solve: A securities custody account points to a depository; a platform for buying and selling points to a stock exchange.

7. 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.
- Middle management manages departments; operational management directly supervises the workforce.

Step 1: Match top and middle management Top-level management takes overall responsibility for the welfare and survival of the organisation, so 1 matches (iii). Middle-level management ensures that its department has the necessary personnel, so 2 matches (ii).

Step 2: Match operational management and check options Operational management directly oversees the efforts of the workforce, so 3 matches (i). The complete match is therefore 1-(iii), 2-(ii), 3-(i). Option (A) wrongly assigns direct supervision to top management. Option (C) interchanges middle and operational functions. Option (D) wrongly assigns departmental staffing to top management and overall survival to middle management.

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

Quick Tip to Solve: Match the scope: whole organisation means top, department means middle, and direct workforce supervision means operational.

8. 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 forecasts the amount and timing of funds needed so that the business can meet its commitments and carry out its plans.
- Coordinated financial plans reduce waste and duplication; they do not increase them.

Step 1: Identify the negative statement The question asks for the statement that does not highlight an advantage. Option (D) says that detailed financial plans increase waste, duplication of efforts and gaps in planning. This reverses the actual benefit: detailed plans coordinate activities and reduce these problems.

Step 2: Check the other alternatives Option (A) is a benefit because forecasting prepares the firm for different business situations. Option (B) is also a benefit because advance preparation

reduces avoidable shocks and surprises. Option (C) correctly connects investment requirements with continuing financing decisions. Thus none of these three is the required negative statement.

Step 3: Conclusion Option (D) does not highlight the importance of financial planning because financial planning reduces waste, duplication and gaps. Hence, the correct option is (D).

Quick Tip to Solve: Underline "not" first, then check whether an option reverses a recognised benefit of financial planning.

9. 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 where existing securities can be bought and sold.
- It provides scope for controlled speculation within legal provisions; it does not eliminate speculation altogether.

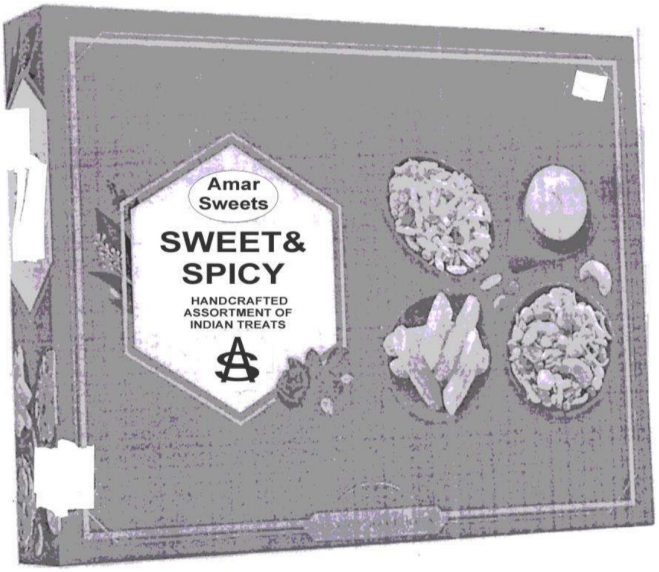
Step 1: Identify what the exchange actually provides Option (D) claims that the stock exchange ensures there is no scope for speculation. This is incorrect. Speculation within prescribed rules is permitted and helps maintain liquidity and continuity in the market.

Step 2: Eliminate the genuine functions Option (A) is a function because investors can sell existing securities to obtain funds. Option (B) is a function because information and participation encourage wider share ownership, called spreading the equity cult. Option (C) is a function because regulated dealings and listed securities promote safety of transactions, although they do not guarantee investment returns.

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

Quick Tip to Solve: Distinguish controlled speculation from its complete prohibition: the stock exchange permits the former.

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



(A) Trade Mark only

(B) Brand Name only

(C) Brand Mark only

(D) Both Brand Name and Brand Mark

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

Solution:

Concept:

- A brand name is the part of a brand that can be spoken, such as the words identifying the seller or product.
- A brand mark is the recognisable symbol, design or lettering that identifies a brand visually. A trademark is a brand or part of it given legal protection.

Step 1: Read the identifying features in the picture The package displays the words 'Amar Sweets' as a pronounceable name. It also displays a distinctive stylised symbol below the descriptive writing. The name is the brand name, while the identifying symbol is the brand mark.

Step 2: Compare all four descriptions Option (B), brand name only, ignores the symbol. Option (C), brand mark only, ignores the pronounceable name. Option (A), trademark only, is not established merely by the package picture: legal protection is a separate characteristic. Option (D) includes both visible components and therefore gives the complete identification.

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

Quick Tip to Solve: On a package, separate the words you can pronounce from the identifying visual symbol; both may appear together.

11. 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, changing roles, lifestyles, customs and values that influence business demand.
- A business adapts its marketing decisions to such changes in the lives and buying habits of consumers.

Step 1: Identify the change described in the case The decisive words are 'increasing presence of women in the workforce'. This is a change in social roles and lifestyles. The reference to 'office-going women' shopping on weekends shows the resulting change in shopping habits, to which Kisan Mart responds with its Friday offers.

Step 2: Rule out the other dimensions The legal environment concerns laws and regulations; no change in law is stated. The political environment concerns government policy and political conditions; neither is the cause here. The technological environment concerns new techniques and innovations; no such development is described. Therefore the social environment best explains the case.

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

Quick Tip to Solve: Look for the cause of the business response: changing roles and lifestyles point to the social environment.

12. 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, reflected in the market value of the company's equity shares.
- Financial decisions should increase the value accruing to shareholders rather than merely seek a higher accounting profit without regard to risk.

Step 1: Evaluate Statement I Statement I is true. Financial management aims to select investment, financing and dividend decisions that maximise the current market value of the shareholders' investment. This is the NCERT objective of shareholders' wealth maximisation.

Step 2: Evaluate Statement II and select the combination Statement II is also true. If the market value of the shares held by shareholders rises, the value of their holdings increases and they gain in wealth. Options (A) and (B) wrongly treat one true statement as false; option (D) wrongly rejects both. Option (C) correctly accepts both statements.

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

Quick Tip to Solve: Link shareholders' wealth with the market value of their shares when judging financial-management statements.

13. '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 require a business to create benefits for society, including environmentally responsible production and employment opportunities.
- Organisational economic objectives concern survival, profit and growth; personal objectives concern the needs of individual employees.

Step 1: Use the evidence in the case Panmol Dairy uses an 'environment-friendly' method and is 'providing employment to hundreds of illiterate people in the rural areas'. These actions protect the environment and create opportunities for disadvantaged sections of society, which are social objectives of management.

Step 2: Distinguish the alternatives Option (B), personal objective, concerns individual employees' needs such as remuneration and development, rather than the wider social contribution emphasised here. Option (D), economic objective, concerns survival, profit and growth; the case highlights social benefits instead. Option (A), national objective, is not the relevant NCERT category for these management objectives. Option (C) names the appropriate category.

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

Quick Tip to Solve: Employment for disadvantaged groups and eco-friendly production are strong clues to social objectives.

14. 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 complete information about a product so that they can make an informed buying decision.
- Product labels communicate particulars such as ingredients, quantity, price, manufacture date and instructions for use.

Step 1: Match the stated requirement with the right The question emphasises 'provide information about ingredients, date of manufacture, quantity, price, directions for use'. By disclosing these particulars on the label, the firm enables buyers to compare products, assess suitability and make an informed choice. This satisfies the right to be informed.

Step 2: Distinguish the other consumer rights The right to safety protects against goods and services hazardous to life and health; although information may support safety, disclosure itself identifies the right to be informed. The right to be assured concerns access to a variety of products at competitive prices. The right to be heard concerns having consumer interests and complaints considered. Neither describes the label-information requirement.

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

Quick Tip to Solve: When the clue is product particulars on a label, identify the right to be informed rather than the right to safety.

15. '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 decisions determine how much profit is distributed to shareholders and how much is retained in the business.
- Stability of dividends means avoiding changes in dividend per share for temporary fluctuations in earnings; a sustainable change in earning potential is relevant.

Step 1: Identify the temporary increase The case states that profit rose by 40% because of a temporary order, but "not the earning potential of the company". The exceptional contract therefore does not establish a continuing capacity to pay a higher dividend.

Step 2: Match the factor and reject the alternatives The manager keeps dividend per share unchanged because the rise is temporary. This reflects stability of dividends. Cash flow position concerns the cash available for payment, which is not the stated reason. Shareholders' preference concerns their desire for income or capital gains, which is not discussed. Growth opportunities concern retaining profits to finance expansion, which the case does not mention.

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

Quick Tip to Solve: When exceptional profit does not change sustainable earning potential, link an unchanged dividend to stability of dividends.

16. 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 and avoid actions that cause pollution.
- Responsible consumption includes proper disposal of packaging and waste, along with care for the surroundings.

Step 1: Identify the action in the case Niyati tells children "not to pollute the environment" and collects discarded wrappers to "put them in the dustbin". Both actions concern preventing litter and disposing of consumer waste properly.

Step 2: Eliminate the unrelated responsibilities Respecting the environment directly describes her conduct. Reading labels carefully means examining product information before purchase or use. Asserting a fair deal concerns insisting on fair treatment in a transaction. Being honest in dealings concerns truthful conduct with sellers. No such purchase-related conduct is described here.

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

Quick Tip to Solve: Link disposal of wrappers, avoidance of litter and prevention of pollution to the consumer responsibility of respecting the environment.

17. 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 by making them strive voluntarily towards organisational goals.
- Influence is central to leadership, while the purpose in management is achievement of common organisational objectives.

Step 1: Evaluate Statement I Statement I is true. A leader influences the behaviour of others, encourages willing effort and guides people towards desired objectives. The statement correctly identifies the ability to influence as a characteristic of leadership.

Step 2: Evaluate Statement II Statement II is false. In management, leadership is exercised to achieve organisational goals, rather than merely the personal goals of the leader. Thus the combination is true for I and false for II. Option (B) reverses both truth values, option (C) incorrectly accepts Statement II, and option (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: For leadership statements, check both the means (influencing people) and the end (organisational goals).

18. 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 organisations operate in an environment that keeps changing.
- Managers adapt goals, methods and practices to changes in customer preferences, technology and other environmental forces.

Step 1: Identify the environmental response The case says organisations have "adapted themselves to changing environment" and established a "strong presence on social media". Changing the way they reach customers in response to new communication practices shows adaptation.

Step 2: Distinguish the other features A dynamic function describes this adjustment to environmental change. Group activity concerns coordinating the efforts of different individuals. A continuous process concerns the ongoing performance of managerial functions. Multidimensional management concerns managing work, people and operations. These are valid features, but they do not specifically explain the shift to social media in the case.

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

Quick Tip to Solve: Words such as adapt, change and respond to the environment usually point to management being a dynamic function.

19. 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 position.
- Understanding the business environment helps an enterprise identify opportunities early and secure the advantage of acting before competitors.

Step 1: Locate the opportunity and early action Raunaq observed the need to "provide food to students round the clock". The case expressly says he was "the first one to recognize the need". He converted this unmet student need into Hunger Point and gained popularity by entering early.

Step 2: Select the specific importance This is identification of opportunities and obtaining first mover advantage. Option (B) concerns potential threats, but no danger is identified. Option (C) concerns planning and policy formulation in general; the decisive detail here is recognising an unmet need first. Option (D), improving performance, is a broad benefit, whereas option (A) captures the exact opportunity and early-entry advantage described.

Step 3: Conclusion The case highlights identifying opportunities and getting the first mover advantage. Hence, the correct option is (A).

Quick Tip to Solve: An unmet customer need plus being the first to act is the clearest signal of opportunity identification and first mover advantage.

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

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

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

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

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

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

Solution:

Concept:

- Demonetisation withdraws the legal tender status of specified currency notes.
- The question asks for the incorrect statement, so the selected option must contain the error rather than a valid aim or consequence of the measure.

Step 1: Find the incorrect exception Option (A) wrongly says that the withdrawn Rs 500 and Rs 1000 notes remained legal tender "except for buying properties". Buying property was not an exception allowing these notes to continue as legal tender. This false exception makes the statement incorrect.

Step 2: Check the remaining statements Option (B) correctly identifies curbing corruption and accumulation of black money as an aim. Option (C) correctly describes channelising savings into the formal financial system through the tax administration. Option (D) correctly identifies restrictions on the convertibility of domestic money and bank deposits. Since these three are valid statements in the textbook treatment, they are not answers to an incorrect-statement question.

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

Quick Tip to Solve: Underline "incorrect" before comparing options; here the false property-purchase exception decides the answer.

21(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 requires documentary confirmation of the trade and subsequent settlement through delivery of securities and payment.
- The contract note records the broker's execution of the order, whereas the settlement cycle specifies when the resulting obligations must be fulfilled.

Step 1: Explain the contract note **Contract Note:** It is the document issued by the broker to the client within 24 hours of executing a trade. It confirms the purchase or sale of securities and records particulars such as the number of shares, price, date and time of the transaction, and brokerage charges. It also contains the unique order code and trade number assigned by the stock exchange.

Thus, the investor has documentary evidence of the transaction and can verify that the broker executed the order correctly. It is legally enforceable and helps in settling a dispute between the broker and the client.

Step 2: Explain the T+2 settlement system **T+2 system:** Here, T denotes the trading day on which the transaction is executed. Settlement takes place on the second working day after the trading day. The buyer must make payment and the seller must deliver the securities according to this settlement schedule. For example, a trade executed on Monday is settled on Wednesday if both intervening settlement days are working days and there is no relevant holiday. The expression refers to working settlement days, rather than simply any two calendar days.

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

Quick Tip to Solve: Keep the two ideas separate: the contract note proves what was traded, while T+2 tells you when payment and delivery are settled.

OR

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

Solution:

Concept:

- The Securities and Exchange Board of India regulates the securities market to promote orderly dealings and ensure that market participants follow the prescribed framework.
- Regulatory functions concern registration, supervision and control of market institutions and intermediaries. They are distinct from investor education and other developmental activities.

Step 1: State the regulation of intermediaries **Registration of brokers and other intermediaries:** SEBI registers brokers, sub-brokers and other players in the securities market. Registration brings these intermediaries within its regulatory supervision and requires them to comply with the prescribed conditions. This enables SEBI to oversee those who act between investors and the market, rather than allowing them to operate without regulatory accountability.

Step 2: State the regulation of collective investment institutions **Registration of collective investment schemes and mutual funds:** SEBI registers collective investment schemes and mutual funds and regulates their functioning. Such organisations pool investors' savings for investment, so their operations must comply with the securities-market framework. Registration and supervision help ensure that they operate according to the applicable requirements.

Step 3: State the supervision of stock exchanges **Inspection, inquiries and audits of stock exchanges:** SEBI undertakes inspections, conducts inquiries and carries out audits of stock exchanges. These activities enable it to examine how the exchanges function and whether their activities comply with the prescribed regulations. They provide a means of detecting irregularities and taking the necessary regulatory action.

Step 4: Conclusion Three regulatory functions are registering brokers and other intermediaries,

registering collective investment schemes and mutual funds, and undertaking inspections, inquiries and audits of stock exchanges.

Quick Tip to Solve: For regulatory functions, remember registration and supervision; investor education belongs to SEBI's developmental functions.

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

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

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

Solution:

Concept:

- Vestibule training is an off-the-job method in which employees learn to handle the equipment they will use at work in a separate training setting resembling actual working conditions.
- Training develops job-related knowledge and skills. For employees, its advantages include improved performance and career prospects, and more efficient handling of machines with fewer accidents.

Step 1: Identify and explain the training method **Vestibule training:** Neeraj Ltd. has set aside equipment for training before the pilots undertake regular flying duties. The decisive case line is "two aircrafts would be used to train the pilots", enabling them to gain proficiency "before they would actually fly them". In vestibule training, employees learn on equipment similar to that used in their jobs, while actual work conditions are reproduced in a separate training setting. Here the aircraft assigned to training let the pilots practise aircraft-handling skills before undertaking operational duties. It is an off-the-job method; learning occurs in the training arrangement rather than during the airline's regular service operations.

Step 2: Explain two advantages for the pilots **Improved skills and career prospects:** Training improves the pilots' knowledge and practical aircraft-handling skills. Greater proficiency helps them perform their duties better and can improve their career and earning prospects.

More efficient handling and fewer accidents: The pilots learn how to operate the aircraft and its equipment correctly before regular flying. Better understanding and practice help them use the equipment efficiently, make fewer operating errors and become less prone to accidents. This directly supports safe performance in a job where correct handling of equipment is essential.

Step 3: Conclusion The method is vestibule training. It benefits the pilots by improving their skills and career prospects and by enabling more efficient, safer handling of aircraft with fewer accidents.

Quick Tip to Solve: When equipment is reserved for practice before regular duties, identify vestibule training; state benefits to the trainees when the question asks about employees.

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

Solution:

Concept:

- The state of mind of both the sender and the receiver affects communication. Psychological barriers arise from attitudes, emotions and mental conditions rather than from the language used.
- Effective communication requires attention to the message, an open mind and confidence between the communicating parties.

Step 1: Explain premature evaluation **Premature evaluation:** A receiver may judge the meaning of a message before the sender has completed it. Existing prejudices or preconceived notions replace careful listening. Consequently, the receiver draws conclusions without understanding the full facts and the intended message may be misunderstood. For example, deciding that a suggestion is useless before hearing its explanation prevents its proper evaluation.

Step 2: Explain lack of attention **Lack of attention:** When the receiver is mentally preoccupied, the message does not receive full attention. A person worried about a personal problem may hear the words but fail to understand or remember important instructions. Thus, even a clearly worded message is ineffective because attention, which is necessary for understanding, is missing.

Step 3: Explain distrust **Distrust:** When the sender and the receiver do not trust each other, they may not interpret the message in its original sense. The receiver may doubt the sender's intentions and attach an unintended meaning to the words. Such suspicion obstructs a free and sincere exchange of information and reduces the effectiveness of communication.

Step 4: Conclusion Premature evaluation, lack of attention and distrust are three psychological barriers. They obstruct communication through early judgement, mental preoccupation and suspicion respectively.

Quick Tip to Solve: For psychological barriers, explain what happens in the mind of the sender or receiver and then show how it distorts understanding.

OR

23(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 managerial function of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- It improves effectiveness by helping people achieve the desired goals and efficiency by guiding their efforts and making better use of their abilities.

Step 1: Explain how directing initiates action **Initiates action:** Planning and organising establish what is to be done and who should do it, but work begins when managers direct employees. Instructions,

guidance and supervision translate plans into actual performance. By making employees understand their assignments and start the required activities, directing sets the organisation in motion towards its objectives.

Step 2: Explain how directing integrates efforts **Integrates employees' efforts:** Employees perform different activities in different departments. Directing guides these individual efforts towards a common organisational purpose. Through leadership and communication, a manager helps employees understand how their work contributes to the whole. This reduces conflicting actions and ensures that people work together towards organisational goals.

Step 3: Explain how directing develops employee potential **Realises employees' potential:** Motivation and effective leadership encourage employees to use their abilities fully. A manager guides employees, recognises their needs and inspires better performance. Employees may possess capabilities that remain unused without encouragement; directing helps bring out these capabilities, improving their contribution and the organisation's performance.

Step 4: Conclusion Directing supports effective and efficient functioning by initiating action, integrating employees' efforts and helping employees realise their potential. It converts prepared plans and available human abilities into coordinated performance.

Quick Tip to Solve: Use the NCERT headings for the importance of directing, and explain how each heading connects employees' actions with organisational performance.

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24. 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:

- The organisational or economic objectives of management are survival, profit and growth. Management must achieve these while making efficient use of available resources.
- Survival means earning enough revenue to cover costs, profit rewards business activity and supports continuity, and growth means expansion in the size or scope of the enterprise.

Step 1: Identify and state survival **Survival:** The case states, "Since its inception, 'Quick Solutions' was earning enough revenue to cover the costs." Survival is the basic objective of every business. To continue to exist, the enterprise must earn sufficient revenue to meet its costs. The quoted line directly shows that the startup was able to meet this requirement despite competition from established companies.

Step 2: Identify and state profit **Profit:** The case states that "the company started making profits. It was a big incentive for Sana and Mihir for the continued successful operation of the enterprise." Profit is necessary to reward the effort and risk involved in business and to provide an incentive for continued successful operation. The founders' incentive from the profits shows this objective.

Step 3: Identify and state growth **Growth:** The case states that "the customer base increased manifold" and that Sana and Mihir "decided to make additional capital investment and hired more employees." It also says that they "expanded their product line to meet emerging market demands." Growth means increasing the scale of business operations. A larger customer base, additional investment, more employees and an expanded product line are measures of this expansion.

Step 4: Conclusion Quick Solutions seeks the three organisational objectives: survival through covering costs, profit as an incentive for continued successful operation, and growth through increased customers, investment, employees and products.

Quick Tip to Solve: Match "revenue covers costs with survival, "incentive for continued operation with profit, and increases in customers, capital or employees with growth.

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

(i) Standardisation and Grading

(ii) Transportation [4 marks]

Solution:

Concept:

- Marketing functions help move a product from the producer to the consumer and make it suitable and available for purchase.
- Standardisation and grading concern the uniformity and classification of products, whereas transportation creates place utility by moving goods to where they are needed.

Step 1: Explain standardisation and grading **Standardisation:** It means producing goods of predetermined specifications. These specifications may relate to quality, size, weight, colour or design. Maintaining them brings uniformity and consistency in output. Buyers can rely on an established standard instead of examining every individual unit before buying.

Grading: It means classifying products into different groups on the basis of their important characteristics, such as quality, size or weight. It is especially useful where output cannot be completely standardised, as with agricultural produce. For example, apples can be classified into grades according to size and quality. A grade helps buyers identify the quality offered and facilitates pricing; grading does not mean that all grades have identical quality.

Step 2: Explain transportation **Meaning:** Transportation involves the physical movement of goods

from one place to another. Goods produced at a particular location must reach markets and consumers located elsewhere. Transport thus connects the place of production with the place of consumption and creates place utility.

Marketing significance: Suitable transportation makes goods available where demand exists and supports regular supply to the market. While choosing a mode of transport, a marketer considers the nature of the goods, cost, speed and reliability. Perishable goods, for instance, require timely movement to avoid deterioration. Efficient transport therefore helps the firm serve geographically dispersed customers economically.

Step 3: Conclusion Standardisation establishes consistent product specifications, grading sorts products into meaningful quality groups, and transportation delivers them to the locations where customers require them. Together these functions facilitate convenient and reliable exchange.

Quick Tip to Solve: Remember the distinction: standardisation sets specifications, grading sorts output, and transportation changes the location of goods.

OR

25(b). Explain any two components included in physical handling and movement of goods from place of production to the place of distribution. [4 marks]

Solution:

Concept:

- Physical distribution covers the physical handling and movement of goods from the place of production to the place of distribution so that products reach customers.
- Its major components include order processing, transportation, warehousing and inventory control. Transportation and warehousing are two components explained here.

Step 1: Explain transportation **Meaning:** Transportation is the physical movement of goods from one place to another, such as from a factory to a warehouse or from a warehouse to a market. Production and consumption often take place at different locations, so goods have to be carried to the places where customers demand them. This creates place utility.

Role in distribution: Reliable transport ensures that the required products reach distribution points on time and in usable condition. The marketer chooses a mode after considering cost, speed, reliability and the nature of the product. For example, a perishable product requires a mode that can deliver it quickly, with appropriate protection. Efficient transportation helps extend the firm's market beyond its production location while controlling distribution costs.

Step 2: Explain warehousing **Meaning:** Warehousing refers to storing and preserving goods until they are required for sale or consumption. Goods are not always consumed immediately after production. Storage bridges this time gap and creates time utility by making products available when customers need them.

Role in distribution: Warehouses protect goods and allow a regular supply to the market even when production or demand is seasonal. Locating warehouses closer to markets can reduce delivery time

and improve customer service. However, a larger number of warehouses also increases storage and operating costs. The firm must therefore balance the desired speed of delivery against the cost of maintaining storage facilities, rather than simply building the largest possible network.

Step 3: Conclusion Transportation moves goods to the appropriate distribution location, while warehousing stores and preserves them until they are needed. These two components enable physical distribution to make products available at the right place and time.

Quick Tip to Solve: For two components of physical distribution, explain both what each does and how it helps availability: transport bridges distance, warehousing bridges time.

26. '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 results towards which the activities of an organisation are directed. They specify what management wants to achieve within a given period.
- A budget is a statement of expected results expressed in numerical terms. A cash budget estimates cash inflows and outflows for a specified period and helps plan cash requirements.

Step 1: Identify and explain objectives **Objectives:** The Chief Executive Officer proposes a "target to increase sales by 10% and profits by 20% in its Platinum Jubilee year." These targets specify the results Leno wants to achieve and the period within which it wants to achieve them. Objectives provide direction to departmental activities and serve as the basis for other plans. Thus, the Human Resource Manager's estimate of additional workers supports the achievement of these organisational objectives; the desired sales and profit increases are the objectives themselves.

Step 2: Identify and explain the budget **Budget:** The Finance Manager will prepare a "statement showing the estimated cash inflows and outflows for this particular period." This is a cash budget, because expected receipts and payments are expressed numerically for a defined period. It helps the company estimate whether sufficient cash will be available to meet payments and maintain the adequate cash balances mentioned in the case. Expected shortages can be planned for and surplus cash can be used appropriately. A budget also gives a numerical basis for comparing actual results with planned results.

Step 3: Conclusion The two types of plans are **objectives**, represented by the sales and profit growth targets, and a **budget**, specifically the statement of estimated cash inflows and outflows.

Quick Tip to Solve: A desired result with a target and deadline indicates an objective; an estimate of receipts and payments for a period indicates a cash budget.

27(a). Explain any four points of importance of 'Planning' function of management. [4 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It involves setting objectives and choosing suitable courses of action to achieve them.
- Planning connects the present position with the desired future position. It guides employees, prepares the organisation for change and provides a basis for coordinated action.

Step 1: Explain direction and preparation for uncertainty

- **Planning provides directions:** Clearly stated objectives tell employees what the organisation seeks to achieve and what they must do to contribute. Departments and individuals can align their efforts with the overall purpose. Without this direction, people may work towards different goals and fail to contribute effectively to organisational objectives.
- **Planning reduces the risks of uncertainty:** Managers look ahead, anticipate possible changes and consider their likely effects. They can prepare appropriate responses to changing conditions rather than act only after problems arise. Planning cannot eliminate uncertainty, but it reduces its impact by improving preparedness.

Step 2: Explain coordination and standards for control

- **Planning reduces overlapping and wasteful activities:** Plans coordinate the activities of different departments and individuals. They clarify responsibilities and the course of action, reducing duplication, confusion and unnecessary effort. This helps resources to be used efficiently instead of being wasted on conflicting or repeated activities.
- **Planning establishes standards for controlling:** The objectives and expected results set during planning become standards against which actual performance is compared. Managers can identify deviations and take corrective action. Without predetermined standards, they cannot judge whether performance is satisfactory or whether organisational objectives are being achieved.

Step 3: Conclusion Planning is important because it provides directions, reduces the risks of uncertainty, reduces overlapping and wasteful activities, and establishes standards for controlling.

Quick Tip to Solve: For importance of planning, connect each heading to its benefit: common direction, preparedness, efficient coordination and measurable performance standards.

OR

27(b). Explain the steps in the process of 'Organising' function of management. [4 marks]

Solution:

Concept:

- Organising is the process of identifying and grouping the work to be performed, assigning duties and establishing authority relationships so that people work together to achieve organisational objectives.

- The organising process translates a plan into a workable structure. Its four steps are identification and division of work, departmentalisation, assignment of duties and establishment of reporting relationships.

Step 1: Identify and divide the work **Identification and division of work:** Identify all the activities necessary for carrying out the plan and divide the total work into manageable jobs. Division avoids duplication and ensures that no necessary activity is overlooked. Repeated performance of a particular job also allows employees to specialise and become more efficient.

Step 2: Group similar activities **Departmentalisation:** Group jobs of a similar nature into departments so that related activities can be coordinated. The grouping may be based on functions, such as production, marketing and finance, or on another suitable basis such as products or territories. Each department then has a clearly defined area of work.

Step 3: Allocate duties to employees **Assignment of duties:** Define the work of each position and allocate jobs to employees according to their abilities, knowledge and skills. Matching the right person with the right job helps make effective use of human resources. Employees should know the tasks for which they are responsible.

Step 4: Establish authority and reporting relationships **Establishment of reporting relationships:** Specify who is to report to whom and give employees the authority needed to discharge their assigned duties. Clear superior-subordinate relationships link the different jobs and departments, establish a hierarchy and help coordinate individual efforts towards common goals.

Step 5: Conclusion Thus, organising proceeds from dividing the work to grouping activities, assigning duties and establishing reporting relationships. These steps create the structure through which the organisation implements its plans.

Quick Tip to Solve: Remember the sequence as divide, group, assign and relate: first identify jobs, then departments, then job-holders, and finally reporting relationships.

28. State any four reliefs that can be issued to the opposite party when the consumer court is satisfied about the genuineness of the complaint. [4 marks]

Solution:

Concept:

- When a consumer complaint is found genuine, the consumer court can direct the opposite party to provide appropriate relief. The relief addresses the defect or loss established by the complaint.
- The available orders include removal of defects, replacement, refund and compensation. The question asks for any four reliefs, so four distinct directions are stated below.

Step 1: State reliefs that correct the defective product **Removal of defects:** The court may direct the opposite party to remove the defect in the goods. The seller must rectify the fault established in the proceedings so that the consumer receives goods free from that defect. In the case of a service, the corresponding relief is removal of the deficiency in the service.

Replacement of goods: The court may order replacement of the defective goods with new goods of

similar description which are free from any defect. This gives the consumer a defect-free product in place of the defective one, rather than merely leaving the consumer with the faulty goods.

Step 2: State reliefs that restore money or compensate loss **Refund of price:** The court may direct the opposite party to return the price paid by the consumer for the goods, or the charges paid for the service. Such a direction restores the amount the consumer spent on the defective goods or deficient service.

Compensation for loss or injury: The court may order payment of a reasonable amount as compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party. Compensation addresses the harm caused to the consumer and is distinct from simply returning the purchase price.

Step 3: Conclusion Any four appropriate reliefs are removal of the defect, replacement with defect-free goods, refund of the price paid, and payment of reasonable compensation for loss or injury caused by the opposite party's negligence.

Quick Tip to Solve: Keep refund and compensation separate: refund returns what the consumer paid, while compensation addresses the loss or injury suffered.

29. 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 controllable marketing tools used to achieve marketing objectives in a target market. Its four elements are product, price, place and promotion.
- Place concerns making products available to customers at the right place and time. Promotion concerns communicating with customers and persuading them to purchase.

Step 1: Identify place or physical distribution from the delivery arrangements **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." These arrangements make the books accessible to the target customers. Place includes selecting channels of distribution and managing the physical movement of goods from the producer to customers. Its physical-distribution decisions include transportation, inventory, order processing, storage and warehousing. Thus, the stores and the stock-handling facilities help ensure that the books

are available where and when children and parents require them.

Step 2: Identify promotion from communication and persuasion **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 means activities that communicate the merits of a product and persuade target customers to buy it. It creates awareness, informs customers about benefits and encourages purchase. A business can use an appropriate promotion mix of advertising, personal selling, sales promotion and public relations. The quoted communication and persuasion directly establish this element; the case does not specify that every one of these promotional tools is being used.

Step 3: Conclusion The two elements highlighted in addition to product are **place or physical distribution**, shown by the stores and delivery facilities, and **promotion**, shown by communication about the books and persuasion to buy them.

Quick Tip to Solve: In a marketing-mix case, connect stores, stock and delivery with place; connect informing and persuading customers with promotion. Quote a separate case line for each.

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

Solution:

Concept:

- Staffing includes recruiting and selecting suitable employees, placing and training them, evaluating their work, and providing opportunities for career advancement.
- After employees have worked for some time, performance appraisal assesses their contribution. Promotion and career planning address their advancement and long-term career interests.

Step 1: Identify performance appraisal from evaluation against standards **Performance appraisal:** The identifying words are "there was a need to evaluate their performance against certain pre-determined standards." Performance appraisal means evaluating an employee's current or past performance against predetermined standards. The standards should be known to employees so that they understand the level of performance expected. Actual work is assessed and feedback is provided on strengths and areas needing improvement. Thus, after the newly appointed employees had received training and worked for some time, their work had to be reviewed against the expected standards. This is appraisal rather than selection, because the employees had already been appointed and were performing their jobs.

Step 2: Identify promotion and career planning from long-term advancement **Promotion and career**

planning: The case states that the enterprise had to "address the career related issues and promotional avenues for their employees" and that Vibhas was "designing activities to serve their employees' long-term interests." Managers must provide opportunities for career growth and encourage employees to realise their full potential. Promotion involves moving an employee to a higher position carrying greater responsibilities and generally higher status and pay. Career planning identifies opportunities for advancement and prepares employees to take up greater responsibilities as they progress. Such activities support employees' long-term interests and help the enterprise retain capable people. The quoted concern with future careers, rather than only present job performance, identifies this second staffing step.

Step 3: Conclusion The two steps are **performance appraisal**, which evaluates work against predetermined standards, and **promotion and career planning**, which provides advancement opportunities and serves employees' long-term career interests.

Quick Tip to Solve: Separate the time focus: judging work already performed indicates appraisal, while planning future advancement and promotional avenues indicates promotion and career planning.

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

(i) Science, Not Rule of Thumb

(ii) Cooperation, Not Individualism

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

Solution:

Concept:

- Scientific management, developed by F.W. Taylor, replaces untested working practices with systematic study so that resources are used efficiently.
- Its principles require both managers and workers to change their attitudes, cooperate and develop employees' abilities. Higher productivity should bring prosperity to the organisation as well as its workers.

Step 1: Explain Science, Not Rule of Thumb **Science, Not Rule of Thumb:** Taylor advocated finding the best method of performing a job through scientific study rather than relying on the manager's personal judgement, experience or traditional trial-and-error methods. A rule of thumb may produce different methods in different workplaces without establishing which uses resources most efficiently.

Management should investigate the work, analyse the available methods and select the method supported by evidence. For example, a study of the movements needed for a task can eliminate unnecessary movements and establish an efficient procedure. The resulting method should be standardised and taught to workers. Scientific analysis therefore replaces guesswork and helps save time, effort and materials while improving output.

Step 2: Explain Cooperation, Not Individualism **Cooperation, Not Individualism:** Management and workers should work together towards organisational objectives instead of pursuing their interests in isolation. This principle extends the idea of harmony: competition and confrontation between the two sides should be replaced by mutual cooperation.

Management should listen to workers' constructive suggestions, consult them on important matters affecting them and reward suggestions that bring substantial reductions in cost. Workers should cooperate with management, accept scientifically established methods and avoid unreasonable demands or strikes. Both sides must recognise that their prosperity is linked. Such cooperation enables the organisation to obtain the benefits of scientific management rather than lose them through conflict.

Step 3: Explain Development of Each and Every Person **Development of Each and Every Person to His/Her Greatest Efficiency and Prosperity:** Every employee should be selected scientifically for a job that suits his or her physical, mental and intellectual capabilities. Merely assigning work is insufficient: management must then provide the training required to perform it by the best method.

Training and development improve employees' skills, efficiency and ability to contribute to the enterprise. A suitably placed and trained worker can produce more and earn more, while the organisation benefits from higher productivity and efficient use of resources. Taylor thus connected the worker's individual development and prosperity with the prosperity of the business.

Step 4: Conclusion Taylor's three principles call for scientific methods, active cooperation between management and workers, and scientific selection and training of every employee. Together they raise efficiency and support the prosperity of both the enterprise and its employees.

Quick Tip to Solve: For each Taylor principle, state the practice it replaces and then explain the positive action management and workers should take.

OR

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

(i) Providing managers with useful insights into reality

(ii) Meeting changing environment requirements

(iii) Scientific decisions [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour, developed from observation, experience and experimentation.
- Their application requires judgement because business situations differ. Their flexibility allows managers to adapt them to the circumstances rather than apply them as rigid rules.

Step 1: Explain how principles provide useful insights into reality **Providing managers with useful insights into reality:** Management principles summarise knowledge of managerial situations and the likely consequences of different actions. They help a manager understand a situation, identify important relationships and anticipate the results of a decision instead of learning everything through personal trial and error.

Using this accumulated knowledge improves the manager's understanding and ability to solve problems efficiently. For example, the principle of division of work explains why assigning specialised tasks

can increase proficiency and efficiency. A manager can use this insight when distributing work among employees. Principles do not supply an automatic answer to every problem, but they provide a sound starting point for interpreting real organisational situations.

Step 2: Explain how principles help meet changing environmental requirements **Meeting changing environment requirements:** A business operates in an environment where technology, market conditions, competition and expectations of employees and consumers keep changing. Management principles are flexible guidelines, so managers can modify their application to suit these changed circumstances.

For example, the principle of division of work remains useful, but the particular jobs and specialisations created under it can change when new technology is introduced. The appropriate degree of centralisation or decentralisation may also vary as an organisation grows and operating conditions change. By applying principles with judgement, managers can adapt their practices while retaining a reasoned basis for action. This helps the enterprise respond effectively to new challenges rather than cling to obsolete methods.

Step 3: Explain how principles support scientific decisions **Scientific decisions:** Sound managerial decisions should rest on facts, logic and careful consideration of the situation rather than on personal bias, prejudice, intuition alone or blind faith. Management principles provide tested guidance with which managers can analyse alternatives and assess their likely consequences.

Since principles arise from observation and experience, they encourage an objective and systematic approach to decision-making. For example, while delegating authority, a manager can consider the principle of parity of authority and responsibility: an employee needs sufficient authority to discharge the responsibility assigned. The manager must still examine the facts of the specific case, but the principle makes the reasoning more balanced and defensible. Decisions are consequently more timely, realistic and capable of evaluation.

Step 4: Conclusion Principles of management improve managers' understanding of actual situations, guide adaptation to changing environmental requirements and support decisions based on facts and logic. They make managerial action more informed and effective when applied with judgement.

Quick Tip to Solve: Link each significance point to its practical benefit: understanding situations, adapting practices or improving the basis of decisions.

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

(i) Level of competition

(ii) Production cycle

(iii) Scale of operations [6 marks]

Solution:

Concept:

- Working capital finances the day-to-day operations of a business. Funds are needed for current assets such as raw materials, work-in-progress, finished goods, debtors and cash.
- The requirement depends on both the volume of operations and the time for which money remains

tied up before sales proceeds are received. Conditions requiring larger inventories or more credit to customers increase this requirement.

Step 1: Explain the effect of competition **(i) Level of competition:** When competition is intense, a company may have to maintain a larger stock of finished goods to meet customers' orders promptly. If the goods are unavailable, customers may shift to competitors. The additional inventory ties up funds and increases the working capital requirement.

The company may also offer liberal credit terms to attract and retain customers. A longer credit period or more credit sales increases debtors and delays the receipt of cash. Thus, high competition generally increases working capital needs; relatively low competition may allow smaller stocks and stricter credit terms, reducing the requirement.

Step 2: Explain the effect of the production period **(ii) Production cycle:** The production cycle is the time span between the receipt of raw materials and their conversion into finished goods. During this period, funds are invested in raw materials and work-in-progress, while wages and other manufacturing expenses also have to be paid.

A longer production cycle therefore requires a larger amount of working capital, because money remains blocked in production for a longer time before goods become ready for sale. A shorter cycle releases these funds more quickly and generally requires less working capital for the same level of activity.

Step 3: Explain the effect of the size of operations **(iii) Scale of operations:** A company operating on a large scale normally needs larger quantities of raw materials and finished goods. It also has a greater volume of sales and, where credit is allowed, larger debtors. Its routine payments for wages and other operating expenses are also higher in absolute terms.

Consequently, large-scale operations require more working capital in absolute amount. A business operating on a smaller scale generally maintains lower current assets and needs less working capital. This comparison concerns the total funds required, rather than necessarily the working capital needed per unit of output.

Step 4: Conclusion Working capital requirements generally rise with stronger competition, a longer production cycle and a larger scale of operations. These factors either enlarge current assets or extend the period for which funds are tied up in day-to-day business.

Quick Tip to Solve: For each factor, link it to stock, debtors or the time funds remain blocked, then state whether working capital rises or falls.

OR

32(b). Explain the following factors affecting dividend decision of a company :

(i) Taxation policy

(ii) Access to capital market

(iii) Contractual constraints [6 marks]

Solution:

Concept:

- The dividend decision determines how much of the company's earnings will be distributed to shareholders and how much will be retained to finance future needs.
- Management considers shareholders' after-tax receipts, the availability of alternative finance and the conditions imposed by lenders. A desirable dividend must also be permissible under the company's financial commitments.

Step 1: Explain the influence of taxation policy **(i) Taxation policy:** The tax treatment of dividends affects the return shareholders actually receive. If tax rates on dividends are high, shareholders receive less after tax and may prefer the company to retain a larger proportion of its earnings. In such circumstances, management may distribute a lower dividend.

If tax rates on dividends are lower, shareholders may prefer a higher distribution and the company may declare higher dividends. Thus, the relevant taxation policy influences the balance between distribution and retention. The explanation is conditional on the tax treatment applicable to dividends; a particular tax rate need not be assumed.

Step 2: Explain the influence of access to external finance **(ii) Access to capital market:** Large and reputed companies generally have easier access to the capital market. They can raise additional funds when required and need not depend entirely on retained earnings to finance their growth and other long-term requirements.

Such companies can therefore afford to pay higher dividends. In contrast, a company with limited access to the capital market has fewer dependable sources of additional finance. It may retain a greater part of its earnings to meet future requirements and consequently pay a lower dividend. Easier access provides flexibility; it does not make a high dividend compulsory.

Step 3: Explain the influence of loan conditions **(iii) Contractual constraints:** While granting loans, lenders may include conditions in the loan agreement restricting the company's payment of dividends. For example, an agreement may limit the amount that can be distributed or permit distribution only when specified financial conditions have been satisfied.

The company must comply with these contractual terms before declaring a dividend. Even if earnings are sufficient and shareholders want a larger payout, management cannot ignore the restriction. These constraints protect the lenders' interests by preventing excessive distribution of funds needed to support the company's financial obligations.

Step 4: Conclusion Lower taxation on dividends and easier access to the capital market may favour a higher dividend payout. Contractual restrictions imposed by lenders limit the dividend that the company can declare, so the final decision must comply with the loan agreement.

Quick Tip to Solve: Remember the three links: taxation changes the after-tax benefit, market access changes dependence on retained earnings, and contracts restrict the permissible payout.

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

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

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

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

Solution:

Concept:

- Informal organisation is a network of social relationships arising spontaneously from interaction among people at work, rather than from a deliberately prescribed organisation structure.
- It fulfils social and emotional needs and can support the formal organisation, although its group norms and communication can also create difficulties for management.

Step 1: Identify the organisation in part (i) **Informal organisation:** Vihaan supports the informal organisation. The decisive case statement is that interactions "give rise to a network of social relationships among employees". Employees "developed friendships" and discussed their "personal, social and emotional issues" while using the facilities. These relationships develop naturally through interaction and are not created by assigning authority or responsibility. The specified job relationships described earlier represent the formal organisation; the friendships arising alongside them form the informal organisation.

Step 2: Explain the first advantage in part (ii) **Faster communication:** Informal communication does not have to follow the prescribed lines of authority. Information can therefore travel rapidly through personal contacts, providing faster feedback. Here employees discuss "also the official ones", so the network can help work-related information move quickly across job positions.

Step 3: Explain the second advantage **Fulfilment of social needs:** Informal organisation allows employees to find friends, share feelings and experience belongingness. It provides a source of satisfaction and support beyond their formally assigned work. The case explicitly says employees discuss "personal, social and emotional issues", showing how these relationships fulfil needs that the formal structure alone cannot meet.

Step 4: Explain the first disadvantage **Resistance to change:** Members may collectively resist changes that appear to threaten their established relationships, habits or group interests. Such resistance can delay organisational decisions. The General Manager's observation that "whenever any change is required in the organization, they all resist" directly illustrates this limitation.

Step 5: Explain the second disadvantage **Pressure to conform to group expectations:** An informal group may expect members to follow its norms even when these conflict with organisational interests. A member may find it difficult to act independently because of fear of losing acceptance. The concern that the facilities encourage "groupism" points to the danger of strong group loyalties overriding the organisation's requirements.

Step 6: Conclusion The organisation supported by Vihaan is informal organisation. Two advantages are faster communication and fulfilment of social needs; two disadvantages are resistance to change and pressure to conform to group expectations.

Quick Tip to Solve: Distinguish prescribed authority relationships from spontaneous friendships. For informal organisation, pair each benefit or limitation with the case phrase that demonstrates it.

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

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

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

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

Solution:

Concept:

- Controlling ensures that organisational activities conform to plans. Actual performance is measured and compared with standards, deviations are analysed, and corrective action is taken where necessary.
- Critical point control concentrates managerial attention on key result areas that are critical to organisational success, instead of treating every activity as equally important.

Step 1: Identify and explain the function in part (i) **Controlling:** The management function is controlling. It involves measuring actual performance, comparing it with predetermined standards, identifying and analysing deviations, and taking corrective action so that organisational objectives are

achieved. Nishtha takes a "weekly report from all the Restaurant Managers" and takes "necessary action to resolve the problems". These actions show that she monitors performance and deals with departures from desired results. The decline in sales alerts her to a performance problem requiring investigation.

Step 2: Explain the investigation step in part (ii) **Analysing deviations:** After noticing the difference between desired and actual performance, a manager examines the nature, importance and causes of the deviation. Nishtha "formed a team to find out the causes of the declining customers", so she is analysing deviations. Finding the cause is necessary because the remedy must address the reason for poor performance, rather than merely its symptom. The case also illustrates **critical point control**: managerial attention is focused on key result areas critical to success. Customer numbers are described as the "key area for restaurant business" and "critical to the success of business". She therefore investigates this significant area closely. The team must establish the actual cause; the case does not yet establish what that cause is.

Step 3: Explain the next step in part (iii) **Taking corrective action:** Once the team's report identifies the cause, Nishtha should take appropriate corrective action to remove the deviation and prevent its recurrence. The action must follow the findings. For example, if the report establishes inadequate service skills as the cause, staff training would be appropriate; this is a possible remedy, not an established fact about the restaurant. If implementation is faulty, she should improve execution; if a standard is unrealistic, it may need revision. She should subsequently monitor performance to see whether the action restores customer numbers and revenue. Merely receiving the report without acting would leave the controlling process incomplete.

Step 4: Conclusion Nishtha is performing controlling. Forming the investigative team is analysing deviations, with attention to a critical key result area. After receiving the report she will take corrective action suited to the cause revealed by the investigation.

Quick Tip to Solve: Read controlling cases as a sequence: measure and compare, investigate causes, then correct. The phrase about a key area critical to success additionally signals critical point control.