CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/4/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. A multinational sweets and snacks company had been into catering business for the last many years. To add to its prospects and to grow in the long run, it wants to increase its sales volume, the number of products and capital investment.

The organisational objective of management it seeks to achieve is : [1 mark]

(A) Survival

(B) Profit

(C) Growth

(D) Corporate Social responsibility

Correct Answer: (C) Growth

Solution:

Concept:

- Organisational objectives include survival, profit and growth. Growth means expansion of the enterprise over time.
- An increase in sales volume, the range of products, capital investment or number of employees indicates business growth.

Step 1: Identify the objective described by the case The company wants 'to increase its sales volume, the number of products and capital investment'. Each of these measures an increase in the scale of its business. Its wish 'to grow in the long run' therefore points directly to the organisational objective of growth.

Step 2: Eliminate the other objectives Survival concerns continuing to exist and earning enough revenue to cover costs. Profit concerns the surplus earned over costs and the return required by owners. Corporate social responsibility concerns obligations towards society. None of these, by itself, describes the stated expansion in sales, products and investment.

Step 3: Conclusion The company seeks to achieve the organisational objective of growth. Hence, the correct option is (C).

Quick Tip to Solve: Link expansion indicators such as sales, product range and capital investment with growth; distinguish them from mere survival or earning a surplus.

2. With respect to levels of management choose the incorrect statement from the following : [1 mark]

(A) Operational level management is responsible for maintaining safety standards in the organisation.

(B) At middle level management, managers ensure that their department has the necessary personnel.

(C) Chief Executive officer at Top Level management is responsible for all activities of first line managers.

(D) Top level management is responsible for all the activities of the business and for its impact on the society.

Correct Answer: (C) Chief Executive officer at Top Level management is responsible for all activities of first line managers.

Solution:

Concept:

- Top management sets overall objectives and strategies and is responsible for the performance and social impact of the enterprise.
- Middle management interprets top management policies, staffs departments and supervises the work of first-line managers; operational management directly oversees workers.

Step 1: Identify the incorrect allocation of responsibility Statement (C) assigns responsibility for all activities of first-line managers to the Chief Executive Officer at the top level. Direct supervision and coordination of first-line managers belong to middle management. The CEO has overall responsibility for the enterprise rather than this specific middle-level supervisory responsibility.

Step 2: Verify the remaining statements Statement (A) is correct because operational managers maintain safe working conditions while supervising day-to-day work. Statement (B) correctly gives middle managers the task of ensuring that their department has the necessary personnel. Statement (D) correctly recognises top management responsibility for the whole business and its impact on society.

Step 3: Conclusion The incorrect statement is the one assigning the activities of first-line managers directly to the Chief Executive Officer. Hence, the correct option is (C).

Quick Tip to Solve: For questions asking for the incorrect statement, map each duty to its level: enterprise strategy at the top, departmental supervision in the middle and workers at the operational level.

3. 'Merely allocating work is not enough. Each individual should also know who he has to take orders from and to whom he is accountable'.

The above statement is related to one of the steps of organising process. Identify the step from the following : [1 mark]

(A) Identification and division of work

(B) Departmentalisation

(C) Assignment of duties

(D) Establishing authority and reporting relationship

Correct Answer: (D) Establishing authority and reporting relationship

Solution:

Concept:

- Organising involves identifying and dividing work, departmentalisation, assigning duties, and establishing authority and reporting relationships.
- Authority and reporting relationships specify who gives orders to whom and to whom each employee is accountable.

Step 1: Identify the relationship highlighted The statement says that each individual should know 'who he has to take orders from and to whom he is accountable'. These words concern the superior-subordinate relationship. Establishing this relationship clarifies authority, communication and accountability after duties have been allocated.

Step 2: Distinguish the earlier steps Identification and division of work break the total task into manageable activities. Departmentalisation groups related activities into departments. Assignment of duties allocates jobs to employees. The opening words, 'Merely allocating work is not enough', show that the statement goes beyond assignment to defining reporting relationships.

Step 3: Conclusion The step is establishing authority and reporting relationship. Hence, the correct option is (D).

Quick Tip to Solve: When the question asks who takes orders from whom or who reports to whom, identify authority and reporting relationships rather than assignment of duties.

4. _____ is the step in the controlling process where standards may have to be revised in case the deviation can not be corrected through managerial action. [1 mark]

(A) Setting Performance Standards

(B) Measurement of Actual performance

(C) Comparing Actual Performance with standards and analysing deviations

(D) Taking corrective action

Correct Answer: (D) Taking corrective action

Solution:

Concept:

- Controlling includes setting performance standards, measuring actual performance, comparing results and analysing deviations, and taking corrective action.
- Corrective action removes the causes of significant deviations. Standards may need revision when managerial action cannot correct a deviation.

Step 1: Locate the stage where a response is chosen The question describes revising standards when the deviation cannot be corrected through managerial action. This is part of taking corrective action: management decides how to bring performance and standards into a realistic alignment after identifying and analysing the deviation.

Step 2: Rule out the earlier stages Setting performance standards establishes the benchmarks before performance is assessed. Measurement of actual performance records what was achieved. Comparing actual performance with standards and analysing deviations identifies the gap and its causes. These stages supply information, whereas implementing a remedy or revising an unattainable standard is corrective action.

Step 3: Conclusion The required step is taking corrective action. Hence, the correct option is (D).

Quick Tip to Solve: Identify the verb in the controlling situation: measuring records results, analysing explains a gap, and correcting or revising standards belongs to corrective action.

5. Read the following statements Assertion (A) and Reason (R). Choose the correct option from the given options.

Assertion (A) : Amount of Earnings is a major determinant of the decision about dividend.

Reason (R) : Dividends are paid out of current and past earnings. [1 mark]

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

Solution:

Concept:

- The dividend decision determines the part of earnings to be distributed to shareholders and the part to be retained in the business.
- Dividends are paid out of current and past earnings, so the amount of earnings is a major determinant of the dividend decision.

Step 1: Evaluate the assertion Assertion (A) is true. The amount of earnings influences how much the company can distribute as dividend. Higher earnings generally provide greater scope for dividends, subject to other considerations such as cash flows, investment opportunities and legal requirements.

Step 2: Evaluate the reason Reason (R) is true. Dividends are paid from current and accumulated past earnings. The statement correctly identifies the source from which a dividend distribution is made.

Step 3: Check whether the reason explains the assertion Because earnings provide the source for dividends, their amount directly affects the amount available for distribution. The reason therefore explains why earnings are a major determinant. Option (B) incorrectly denies this connection; 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) is the correct explanation of Assertion (A). Hence, the correct option is (A).

Quick Tip to Solve: In an assertion-reason item, first judge each statement separately, then test whether the reason explains the assertion rather than merely sharing its topic.

6. 'It is a process that allocates or directs funds available for investment into their most productive instrument opportunity'.

This is known as : [1 mark]

(A) Financial planning

(B) Financial Intermediation

(C) Allocative function

(D) Capital budgeting

Correct Answer: (B) Financial Intermediation

Solution:

Concept:

- Financial intermediation is the process of allocating funds available for investment to their most productive investment opportunity.
- Banks and financial markets provide alternative mechanisms for transferring savings to productive users of funds.

Step 1: Identify the process defined The statement describes a process that 'allocates or directs funds available for investment' into their most productive opportunity. The NCERT term for this process is financial intermediation. It channels savings from those who have surplus funds towards those who can put the funds to productive use.

Step 2: Distinguish the other alternatives Financial planning estimates future fund requirements and determines how to meet them. The allocative function describes the broader role of directing scarce resources, but financial intermediation is the specific name given to the process defined here. Capital budgeting concerns a business's evaluation and selection of long-term investment projects rather than the general process of channelling savings to investment opportunities.

Step 3: Conclusion The process is financial intermediation. Hence, the correct option is (B).

Quick Tip to Solve: Learn the NCERT definition precisely: channelling available investment funds to their most productive opportunity is financial intermediation, carried out through banks or financial markets.

7. Which of the following is NOT a feature of 'Directing' function of management ? [1 mark]

(A) Directing initiates Action.

(B) Directing takes place at every level of management.

(C) Directing ensures that activities are performed as per plans.

(D) Directing flows from top to bottom.

Correct Answer: (C) Directing ensures that activities are performed as per plans.

Solution:

Concept:

- Directing initiates action by instructing, guiding, motivating and leading employees towards organisational objectives.

- Directing takes place at every management level and flows from superiors to subordinates; controlling checks whether activities conform to plans.

Step 1: Identify the function described by option C Ensuring that activities are performed as per plans is the purpose of controlling. It involves measuring actual performance, comparing it with standards and taking corrective action when required. It is therefore not a feature of directing.

Step 2: Confirm the actual features of directing Option (A) is a feature because directing translates plans into action through people. Option (B) is a feature because managers at every level guide their subordinates. Option (D) is also a feature because direction moves from a superior towards subordinates, that is, from top to bottom. These three statements accurately describe directing.

Step 3: Conclusion The statement that directing ensures activities are performed as per plans belongs to controlling. Hence, the correct option is (C).

Quick Tip to Solve: Distinguish initiating action through people, which is directing, from checking performance against plans, which is controlling.

8. Which of the following is an advantage of Informal organisation ? [1 mark]

(A) It provides stability to the organisation because behaviour of employees can be fairly predicted since there are specific rules to guide them.

(B) It leads to effective accomplishment of goals by providing a framework for the operations to be performed.

(C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like minded people.

(D) It helps in avoiding duplication of efforts as there is no ambiguity in the role that each member has to play.

Correct Answer: (C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like minded people.

Solution:

Concept:

- An informal organisation arises spontaneously from friendship, interaction and common interests among employees.
- It meets social and psychological needs, creating belongingness and improving job satisfaction.

Step 1: Identify the social benefit Option (C) refers to a sense of belongingness and finding like-minded people. These relationships develop through informal interaction, so employees feel accepted and supported at work. This enhances their job satisfaction.

Step 2: Distinguish the formal benefits Option (A) depends on specific rules and predictable behaviour; (B) refers to a defined operational framework; and (D) depends on clearly specified roles. These are advantages of formal organisation, rather than the spontaneous social network described in (C).

Step 3: Conclusion Informal organisation enhances job satisfaction through belongingness and like-minded relationships. Hence, the correct option is (C).

Quick Tip to Solve: Link friendship, belongingness and social satisfaction with informal organisation; link rules and defined roles with formal organisation.

9. 'Marbury biscuits' launched its new range of oat cookies in three varieties. They decided to distribute free samples of their biscuits in schools as a part of their promotional campaign.

Identify the tool of promotion used by 'Marbury Biscuits' : [1 mark]

(A) Advertising

(B) Personal Selling

(C) Sales Promotion

(D) Public Relations

Correct Answer: (C) Sales Promotion

Solution:

Concept:

- Sales promotion consists of short-term incentives that encourage customers to try or buy a product.
- Distributing free samples is a sales-promotion technique because it lets prospective buyers experience the product before purchasing.

Step 1: Locate the promotional action The decisive case words are 'distribute free samples of their biscuits in schools'. Marbury Biscuits is giving potential consumers a trial of its oat cookies. The immediate incentive is the free product sample, which encourages trial and subsequent purchase.

Step 2: Compare the other tools Advertising is paid non-personal communication through an identified sponsor. Personal selling involves direct personal persuasion by a salesperson. Public relations builds goodwill and a favourable public image. The case specifically describes sampling, rather than any of those activities.

Step 3: Conclusion The promotion tool is sales promotion, specifically free samples. Hence, the correct option is (C).

Quick Tip to Solve: When a case offers a free trial, sample, coupon or discount to stimulate purchase, identify sales promotion.

10. _____ is the process by which a manager synchronises the activities of different departments.

[1 mark]

(A) Management

(B) Planning

(C) Co-ordination

(D) Directing

Correct Answer: (C) Co-ordination

Solution:

Concept:

- Coordination integrates individual and departmental efforts into a unified course of action.

- It synchronises interdependent activities so that different departments contribute harmoniously to organisational objectives.

Step 1: Identify the defining activity The question uses the word synchronises. Departments such as production, finance and sales have different immediate tasks, but their timing and efforts must be integrated. The management process that secures this unity of action is coordination.

Step 2: Eliminate the broader and related functions Management is the overall process of achieving objectives efficiently and effectively. Planning decides objectives and future courses of action. Directing guides, motivates and leads employees. Although coordination runs through all management functions, synchronising departmental activities specifically defines coordination.

Step 3: Conclusion Co-ordination synchronises the activities of different departments. Hence, the correct option is (C).

Quick Tip to Solve: Look for synchronisation, integration and unity of action when identifying coordination in a definition.

11. Match the functions of Securities and Exchange Board of India given in Column-I with their headings given in Column-II :

Column-I	Column-II
A. Training of intermediaries of securities markets	(i) Regulatory function
B. Regulation of takeover bids by companies	(ii) Protective function
C. Controlling insider trading and imposing penalties for such practices	(iii) Development function

Choose the correct alternative : [1 mark]

(A) A(ii); B(iii); C(i)

(B) A(i); B(ii); C(iii)

(C) A(iii); B(i); C(ii)

(D) A(iii); B(ii); C(i)

Correct Answer: (C) A(iii); B(i); C(ii)

Solution:

Concept:

- SEBI performs developmental, regulatory and protective functions in the securities market.
- Development improves market capability, regulation establishes orderly conduct, and protection safeguards investors against unfair practices.

Step 1: Match each action with its purpose A: Training intermediaries develops their knowledge and competence, so it is a development function, (iii). B: Regulation of takeover bids controls how corporate acquisitions are conducted, so it is a regulatory function, (i). C: Controlling insider trading and imposing penalties protects investors from unfair use of confidential information, so it is a protective function, (ii).

Step 2: Compare the combinations The required sequence is A(iii), B(i), C(ii), which appears in (C).

Option (A) wrongly treats training as protective; (B) wrongly treats it as regulatory; and (D), though correct about training, interchanges the regulatory and protective classifications for takeover bids and insider trading.

Step 3: Conclusion The matching is A(iii); B(i); C(ii). Hence, the correct option is (C).

Quick Tip to Solve: Use the purpose: training develops, takeover rules regulate, and action against insider trading protects investors.

12. Lyka Ltd. launched its new range of herbal shampoos at the beginning of the year. As per legal framework, Lyka Ltd. provided the name and address of the manufacturer, the weight, manufacturing date, expiry date, maximum retail price etc. on the package and label of the herbal shampoo.

The consumer right highlighted above is : [1 mark]

(A) Right to choose

(B) Right to be informed

(C) Right to consumer education

(D) Right to safety

Correct Answer: (B) Right to be informed

Solution:

Concept:

- The right to be informed entitles consumers to complete information about a product, including its quantity, price, manufacture and other relevant particulars.
- Information on packages and labels helps consumers make informed purchasing decisions and guard against unfair practices.

Step 1: Identify the case evidence Lyka Ltd. supplies the 'name and address of the manufacturer', weight, manufacturing and expiry dates, and maximum retail price. These are product particulars disclosed to the buyer. Their disclosure illustrates the right to be informed.

Step 2: Distinguish the related rights The right to choose concerns access to different products at competitive prices. Consumer education concerns knowledge of consumer rights and remedies. The right to safety concerns protection against hazardous goods and services. Although expiry information can help safe use, the highlighted act is furnishing product information, so (B) is the precise answer.

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

Quick Tip to Solve: Product details on a label point to the right to be informed; access to alternatives points to the right to choose.

13. Statement – I : Business Environment is dynamic as it differs from country to country.

Statement – II : Business Environment is largely uncertain as it is very difficult to predict future happenings.

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

Solution:

Concept:

- Dynamism means that the business environment continually changes over time; relativity means that it differs between countries or regions.
- Uncertainty means that future environmental developments are difficult to predict, especially when change is rapid.

Step 1: Evaluate Statement I Statement I gives the reason that it differs from country to country. That describes relativity, not dynamism. Dynamism would be shown by changing technology, tastes or policies over time. Consequently, the full statement, including its explanation of dynamic nature, is false.

Step 2: Evaluate Statement II and select the pair Statement II correctly connects uncertainty with the difficulty of predicting future happenings. It is true. The required combination is therefore Statement I false and Statement II true, which is (B). Option (A) reverses the judgments; (C) incorrectly accepts I; and (D) incorrectly rejects II.

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

Quick Tip to Solve: Country-to-country differences mean relativity; changes over time mean dynamism; difficulty predicting the future means uncertainty.

14. Which of the following is NOT a feature of demonetisation ? [1 mark]

(A) It leads to creation of a less-cash or cash-less (free) economy i.e. channeling more savings through the formal financial system and improving tax compliance.

(B) It is interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted.

(C) It is viewed as a tax administration measure.

(D) It led to tax administration channelising savings away from the formal financial system.

Correct Answer: (D) It led to tax administration channelising savings away from the formal financial system.

Solution:

Concept:

- Demonetisation withdraws the legal-tender status of specified currency notes and can serve as a tax-administration measure.
- Its stated features include discouraging tax evasion and encouraging savings and transactions through the formal financial system.

Step 1: Identify the direction of the change Option (D) says savings are channelised away from the formal financial system. This reverses the stated effect: demonetisation encourages greater use of banks and formal payment channels. Because the question asks which is NOT a feature, this reversed statement must be selected.

Step 2: Verify the remaining features Option (A) correctly associates demonetisation with a less-cash economy and greater formalisation. Option (B) correctly presents the policy signal that tax evasion will not be tolerated. Option (C) correctly calls it a tax-administration measure. Each of these is a recognised feature, so none answers the negative question.

Step 3: Conclusion Channelising savings away from the formal financial system is not a feature of demonetisation. Hence, the correct option is (D).

Quick Tip to Solve: For a NOT question, check the direction of the effect: demonetisation channels savings towards the formal financial system.

15. Samaira and her friend, Sana wanted to watch a movie over the weekend. They booked the movie tickets online and chose the seats as per their preference at the click of a button at the desired movie hall. Now going to theatre for booking of tickets is no longer required.

The dimension of business environment reflected in the above para is : [1 mark]

(A) Political environment

(B) Social environment

(C) Legal environment

(D) Technological environment

Correct Answer: (D) Technological environment

Solution:

Concept:

- The technological environment consists of scientific advances, innovations and new ways of producing goods or delivering services.
- Internet-based booking is an application of technology that changes how customers obtain a service.

Step 1: Identify the change in the case Samaira and Sana "booked the movie tickets online" and selected seats "at the click of a button". An electronic booking platform performs a task that previously required a visit to the cinema.

Step 2: Match the change with the correct dimension This is the technological environment because the change concerns the method of accessing and booking the service. Political environment concerns government attitudes and stability; legal environment concerns laws and regulations. Social environment concerns customs, values and social trends. None of those is the particular change described here.

Step 3: Conclusion The dimension reflected is the technological environment. Hence, the correct option is (D).

Quick Tip to Solve: When a case replaces a physical task with online booking or an electronic platform, look for the technological dimension.

16. Payal was working in a Multinational company. Her father gifted her a smart phone worth ₹ 40,500 on her birthday. The mobile phone was purchased by her father from his friend's shop. After few months, the mobile phone started creating problems. Payal tried to contact the manufacturer many times but he did not respond. Ultimately Payal decided to file a complaint against the manufacturer. The appropriate grievance redressal machinery where Payal can file a complaint is : [1 mark]

(A) District Forum/Commission

(B) State Commission

(C) National Commission

(D) Supreme Court

Correct Answer: (A) District Forum/Commission

Solution:

Concept:

- Consumer disputes are taken to the appropriate consumer commission according to its pecuniary and other jurisdiction.
- A beneficiary using goods with the purchaser's approval can also be a consumer; receiving a product as a gift does not by itself exclude consumer protection.

Step 1: Identify the consumer dispute The phone cost Rs 40,500 and "started creating problems". Payal tried to contact the manufacturer without receiving a response. As the intended user of the phone gifted by her father, she can seek consumer redressal for the defective product.

Step 2: Choose the appropriate first forum The low-value purchase belongs before the District Forum/Commission. The State and National Commissions handle cases within their higher original jurisdictions and also specified appeals, rather than being the appropriate first forum for this purchase. The Supreme Court is not the initial consumer redressal forum for her complaint.

Step 3: Conclusion Payal can file the complaint before the District Forum/Commission. Hence, the correct option is (A).

Quick Tip to Solve: Use the purchase value to select the original consumer forum; distinguish an initial complaint from an appeal.

17. _____ is the process of holding securities in electronic form. [1 mark]

(A) Financial Intermediation

(B) Dematerialisation

(C) Allocative function

(D) Mobilisation of securities

Correct Answer: (B) Dematerialisation

Solution:

Concept:

- Dematerialisation converts physical securities into electronic records, which are held in a demat account.
- A depository maintains securities electronically through depository participants, facilitating their holding and transfer.

Step 1: Recognise the electronic form of securities The question asks for the process associated with "holding securities in electronic form". This describes dematerialisation: paper certificates are replaced by electronic records, and the investor holds the securities in a demat account.

Step 2: Eliminate the other financial terms Financial intermediation connects savers and borrowers through intermediaries. The allocative function concerns directing funds towards productive uses. Mobilisation concerns bringing funds or resources into financial channels. None of these names the conversion and electronic holding of securities asked for here.

Step 3: Conclusion The required term is dematerialisation. Hence, the correct option is (B).

Quick Tip to Solve: Link electronic securities and a demat account with dematerialisation; fund mobilisation describes a different financial activity.

18. Rajat was carrying on a business of manufacturing plastic disposables like plastic plates, plastic cups and plastic straws. He heard about the upcoming ban on single use plastics. He was able to identify this external environmental trend which could hinder his firm's performance. So he took action and shifted to manufacturing the plates, cups and straws from bamboo and palm leaves. As a result, his business not only survived but was able to generate profit.

The point of importance of Business Environment highlighted above is : [1 mark]

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

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

(C) It helps in tapping useful resources.

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

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

Solution:

Concept:

- A threat is an external environmental trend or change that can hinder the performance of a firm.

- Understanding the business environment gives a firm early warning, allowing it to take timely action before the threat causes serious damage.

Step 1: Identify the adverse environmental change Rajat heard about the "upcoming ban on single use plastics". This external change threatened his existing plastic-plate, cup and straw business because continuing with those products could hinder its performance.

Step 2: Connect his response with the importance of environmental scanning He recognised the warning and "shifted to manufacturing the plates, cups and straws from bamboo and palm leaves". The emphasis is on recognising a threat early and responding to it. The case does not establish that he was the first mover, nor does it focus on obtaining useful inputs. Planning may follow the response, but the highlighted benefit is identification of threats and early warning signals.

Step 3: Conclusion The point highlighted is that understanding the business environment helps a firm identify threats and early warning signals. Hence, the correct option is (B).

Quick Tip to Solve: An impending ban that endangers existing products is a threat; the timely response shows the value of an early warning.

19. Statement – I : That part of a brand which can be spoken is called a brand name.
Statement – II : That part of the brand which is given legal protection is called Trademark.
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:

- A brand name is the verbal part of a brand that can be spoken or pronounced.
- A trademark is a brand or part of a brand that has been given legal protection against unauthorised use.

Step 1: Evaluate Statement I Statement I calls the part of a brand that can be spoken a brand name. This is the correct distinction: a brand name is its pronounceable verbal element, whereas a brand mark may be recognised visually without being spoken. Statement I is true.

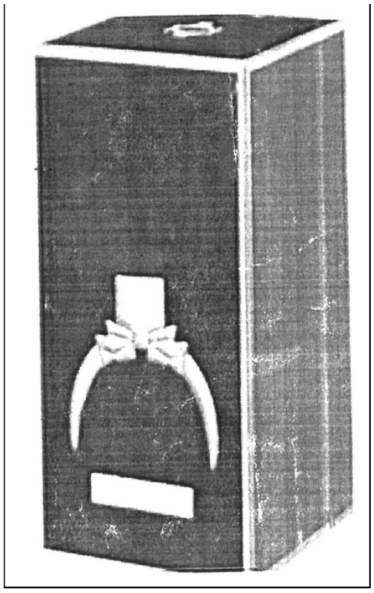
Step 2: Evaluate Statement II and select the combination Statement II identifies the legally protected part of the brand as a trademark. Legal protection is precisely the defining feature of a trademark, so Statement II is also true. Option (A) wrongly rejects Statement II; option (B) wrongly rejects Statement I; option (D) wrongly rejects both definitions.

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

Quick Tip to Solve: Remember the two tests: a brand name can be spoken, while a trademark carries legal protection.

20. The picture given below is the package of a perfume bottle :

Identify the level of packaging of the box shown above : [1 mark]



(A) Primary package

(B) Secondary packaging

(C) Transportation packaging

(D) Both (A) and (B)

Correct Answer: (B) Secondary packaging

Solution:

Concept:

- Primary packaging is the immediate container in contact with or directly holding the product.
- Secondary packaging is the additional package protecting the primary package; transportation packaging is used for storage, identification and transport of quantities.

Step 1: Identify what the picture asks us to classify The question asks about the pictured box containing the perfume bottle. The bottle itself is the immediate container holding the perfume and is therefore the primary package. The outer box is an additional layer around that bottle.

Step 2: Distinguish the outer box from the other levels The box is secondary packaging because it encloses and protects the primary package and may be discarded when the product is used. It is not itself the primary container of the liquid. A bulk carton used to move several retail units would be transportation packaging. Option (D), both (A) and (B), is incorrect because the single box shown is being classified, not the bottle-and-box combination.

Step 3: Conclusion The box shown is secondary packaging. Hence, the correct option is (B).

Quick Tip to Solve: For perfume, classify the bottle as primary, its individual outer box as secondary, and a bulk shipping carton as transportation packaging.

21. Three friends, Aman, Ashish and Ashi after completing their MBA from a reputed management institute, formed a start up named 'Solutions'. The goal of the start up was to make a social and environmental impact through its services. 'Solutions' supports social business ideas to improve living conditions in slums of Mumbai. As all the three friends are specialised in social work, they adopted three different slums of Mumbai and started educating the slum dwellers in their own creative manner. Aman used 'playway method', Ashish used 'music' as a method of learning while Ashi used 'activity based method of learning'. They used basic knowledge in their unique manner and were able to educate the slum dwellers.

It implies that skillful and personal application of acquired knowledge varies from individual to individual in achieving desired results.

(a) Identify and state the nature of management discussed in the above case.

(b) Quoting lines from the above para, state any two features of nature of management identified in (a) above. [3 marks]

Solution:

Concept:

- Nature and Significance of Management: management is an art because it involves the skilful and personal application of existing knowledge to obtain desired results.
- The features of an art include the existence of theoretical knowledge, personalised application, and practice and creativity. The case provides evidence of these through the friends' education and their different teaching methods.

Step 1: Identify and state the nature of management **(a) Management as an art:** Art means the skilful and personal application of acquired knowledge to achieve desired results. Aman, Ashish and Ashi apply their knowledge in their own ways to educate slum dwellers. Their common objective is achieved through individual skill and creativity rather than an identical mechanical procedure.

Step 2: Connect two features with the case **(b) Existence of theoretical knowledge:** An art presupposes basic principles and knowledge that a practitioner can use. The words "after completing their MBA from a reputed management institute" show that the friends have acquired a foundation of knowledge before applying it.

Personalised application: Each practitioner applies knowledge according to personal skill, understanding and experience, so the manner of application differs. The case states: "Aman used 'playway method', Ashish used 'music' as a method of learning while Ashi used 'activity based method of learning'." These different methods illustrate how the same broad knowledge is adapted by different individuals to achieve the educational objective.

Step 3: Conclusion Management is an art. The friends' management education illustrates the existence of theoretical knowledge, while their distinct playway, music and activity-based methods illustrate personalised application of that knowledge.

Quick Tip to Solve: For a management-as-art case, link each named feature to a specific quoted fact: formal learning supports theoretical knowledge, while different individual methods support personalised application.

22(a). Explain the following as factors affecting 'Financing Decision' :

(i) Fixed operating costs and

(ii) Cash flow position of the company [3 marks]

Solution:

Concept:

- Financial Management: the financing decision determines the proportion of owners' funds and borrowed funds used to finance the business.
- Debt creates compulsory financial payments, including interest and repayment of principal. The company must consider its existing fixed commitments and its ability to generate cash before accepting these obligations.

Step 1: Explain the effect of fixed operating costs **(i) Fixed operating costs:** These are operating expenses, such as rent and fixed salaries, which have to be paid even when sales are low. If a company already has high fixed operating costs, its ability to meet additional fixed financial obligations is lower. It should therefore rely more on equity and use less debt, as interest would increase its compulsory payment burden. Conversely, when fixed operating costs are low, the company has greater capacity to bear the fixed interest commitment and may employ more borrowed funds. The decision should consider operating and financial commitments together.

Step 2: Explain the effect of cash flow position **(ii) Cash flow position of the company:** A strong and reasonably predictable cash flow position makes the use of debt more feasible. The company must have sufficient cash to pay interest on the due dates and repay the principal as scheduled. If cash inflows are weak or uncertain, greater reliance on equity is preferable because equity does not require compulsory interest or scheduled repayment like debt. Accounting profit alone does not establish repayment ability; the availability and timing of actual cash are essential.

Step 3: Conclusion High fixed operating costs favour a greater use of equity, while low fixed operating costs permit greater use of debt. Strong cash flows support borrowing; weak or uncertain cash flows restrict it because debt payments must be met on time.

Quick Tip to Solve: Assess borrowing in two stages: first check existing fixed operating commitments, then check whether cash will be available when interest and principal fall due.

OR

22(b). State any three points of difference between 'Primary Market' and 'Secondary Market'.

[3 marks]

Solution:

Concept:

- Financial Markets: the primary market deals in new securities issued by companies, while the secondary market provides a platform for trading securities that have already been issued.
- The distinction depends on the nature of the security transaction, the parties to the transaction and whether the transaction provides fresh capital to the company.

Step 1: Identify the two market functions A company uses the primary market to raise funds by issuing new securities. After their issue, investors may buy and sell those securities in the secondary market. The following table states three differences on clearly separated bases.

Step 2: State three points of difference

Basis	Primary market	Secondary market
Nature of securities	Deals in new securities issued for the first time in the particular issue. It is also called the new issue market.	Deals in existing securities that have already been issued. It is also called the stock market.
Parties to the transaction	Securities are sold by the issuing company to investors, directly or through intermediaries.	Securities are bought and sold between investors; the issuing company is generally not a party to these trades.
Capital formation	Directly promotes capital formation by supplying fresh funds to the issuing company for business purposes.	Indirectly promotes capital formation by providing liquidity and marketability to existing securities; resale proceeds go to the selling investor.

Step 3: Conclusion The primary market brings new securities and fresh funds to the company. The secondary market transfers existing securities between investors and makes those investments liquid without supplying fresh issue proceeds to the company.

Quick Tip to Solve: Ask who receives the sale proceeds: the company receives fresh issue funds in the primary market, while the selling investor receives resale proceeds in the secondary market.

23. The rapid changes having taken place in the society have created pressure on organisations to readapt its products, type of jobs required and type of skills necessary to complete these jobs. To keep up pace with the rapid changes in the business environment, 'Suzon cars', a company manufacturing automobiles for the last thirty years decided to start manufacturing electric cars with Artificial Intelligence technology. With the introduction of Artificial Intelligence, the company had to improve the knowledge and skills of its employees. They wanted that all their employees improve their performance on the current job and are prepared for any intended job in future. This way they would not only be able to increase their knowledge and skills but would also improve their performance. By doing this, the organisation too would get various benefits.

(a) Identify the concept discussed above which would help the employees to do the job in a better way using Artificial Intelligence Technology.

(b) State any five benefits of the concept identified in (a) above to the organisation. [3 marks]

Solution:

Concept:

- Training and development improve employees' knowledge, skills and ability to perform. Training mainly improves performance on the present job, while development prepares employees for greater responsibilities and future jobs.
- Planned learning benefits the organisation by improving productivity, preparing managers and helping employees adjust to technological change.

Step 1: Identify the concept from the case (a) The concept is **training and development**. Suzon cars wants its employees to "improve their performance on the current job" and be "prepared for any intended job in future". The first expression indicates training and the second indicates development. Thus, the concept covers both present performance and future growth, rather than merely introducing new machines.

Step 2: State five benefits to the organisation (b) The following are five organisational benefits:

- **Systematic learning:** Training provides a planned way of learning that is better than hit-and-trial methods. It avoids unnecessary waste of effort, time and money.
- **Higher productivity:** Better knowledge and skills improve employee productivity in both quantity and quality, helping the organisation earn higher profits.
- **Future managerial talent:** Development equips future managers to take over when emergencies or vacancies arise, supporting continuity of management.
- **Higher employee morale:** Learning opportunities increase employees' confidence and satisfaction. Improved morale helps reduce absenteeism and employee turnover.
- **Response to change:** Training and development help the organisation respond effectively to a fast-changing technological and economic environment. Here, employees can learn the skills needed for electric cars using Artificial Intelligence.

Step 3: Conclusion Suzon cars is using **training and development**. It gains systematic learning, higher productivity, a supply of future managers, better morale and greater ability to adapt to change.

Quick Tip to Solve: Link "current job" with training and "future job" with development. When benefits to the organisation are asked, focus on productivity, continuity, retention and adaptability.

24(a). 'Planning and controlling are inseparable twins of management'. Explain with the help of any three points. [3 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and establishes objectives and standards. Controlling compares actual performance with these standards and initiates corrective action.
- Planning and controlling depend on one another: a plan supplies the basis for control, and control helps translate a plan into the desired results.

Step 1: Explain why plans provide the basis for control **1. Planning is a prerequisite for controlling:** Control requires standards against which actual performance can be measured. These standards are established through planning. For example, a planned production target gives the manager a basis for judging actual output. Without a plan, there is no predetermined benchmark, so controlling becomes meaningless.

Step 2: Explain why control gives meaning to plans **2. Controlling ensures that plans are implemented:** Preparing a plan alone does not ensure its achievement. Controlling measures performance, identifies deviations from the plan and initiates corrective action. Without this follow-up, the organisation would not know whether its efforts were producing the planned results. Thus,

planning without controlling has little practical meaning.

Step 3: Relate both functions to past and future performance **3. Both are backward-looking and forward-looking:** Planning is forward-looking because it selects future objectives, but it also uses past experience and information provided by control. Controlling looks back by examining work already performed, yet its corrective action improves future performance and future plans. The findings of control therefore become inputs for the next planning cycle, linking the two functions continuously.

Step 4: Conclusion Planning establishes the standards, controlling checks their achievement, and feedback from controlling improves subsequent plans. Their mutual dependence makes them "inseparable twins of management".

Quick Tip to Solve: Explain the connection in both directions: plans give control its standards, while control gives planning feedback and corrective action.

OR

24(b). Explain 'Critical point control' and 'Management by exception' as discussed in the controlling process. [3 marks]

Solution:

Concept:

- In the controlling process, managers analyse deviations between actual performance and standards to decide where corrective action is required.
- Critical point control focuses attention on key result areas, while management by exception focuses attention on significant deviations. Both help use limited managerial time effectively.

Step 1: Explain critical point control **Critical point control:** It is neither economical nor easy to check every activity with equal intensity. Managers therefore concentrate on **key result areas**, which are critical to the success of the organisation. A failure at such a point can seriously affect overall performance, so it deserves close monitoring. For example, in a manufacturing business, keeping production costs within the planned level may be a key result area. A substantial increase in these costs can threaten profitability and should be examined carefully.

Step 2: Explain management by exception **Management by exception:** This principle is based on the belief that an attempt to control everything may result in controlling nothing. Managers should devote their attention to **significant deviations** that go beyond an acceptable range. Minor variations can be handled at the appropriate lower level without routinely involving senior management. For example, if a manager permits production costs to vary by up to 5 per cent from the standard, a deviation within that range need not be escalated; a deviation beyond it requires attention and investigation.

Step 3: Clarify the focus of each technique **Area versus magnitude:** Critical point control identifies *which areas* are most important to monitor. Management by exception identifies *how large a deviation* must be before special managerial attention is required. Together, they prevent managers from being overwhelmed by routine information and direct attention towards matters that can materially affect objectives.

Step 4: Conclusion Critical point control concentrates on key result areas; management by exception concentrates on deviations beyond acceptable limits. Both make analysis of deviations more focused and economical.

Quick Tip to Solve: Remember "critical point = key area" and "exception = significant deviation". Do not describe either technique as checking every small variation personally.

25(a). State any four features of directing function of management. [4 marks]

Solution:

Concept:

- Directing is the management function of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- NCERT identifies four features of directing: it initiates action, takes place at every level of management, is a continuous process, and flows from top to bottom.

Step 1: State how directing starts action throughout the hierarchy

- **Directing initiates action:** Planning, organising and staffing prepare the organisation for work. Directing starts the actual performance of that work by guiding and motivating employees to carry out their assigned tasks. It converts plans into purposeful action towards organisational objectives.
- **Directing takes place at every level of management:** Every manager performs directing wherever a superior-subordinate relationship exists. Top managers direct middle managers, middle managers direct lower managers, and supervisors guide workers. Therefore, directing is required throughout the management hierarchy.

Step 2: State the continuity and direction of guidance

- **Directing is a continuous process:** Guiding, motivating and supervising people are needed throughout the life of an organisation. Employees require continuing instructions and encouragement as tasks and circumstances change. Directing therefore continues even when individual managers or employees change.
- **Directing flows from top to bottom:** A superior directs subordinates through instructions and guidance. Thus, directing moves downward through the organisational hierarchy, from higher managerial levels to lower ones. A manager receives direction from a superior and provides direction to employees under that manager.

Step 3: Conclusion The four features are initiation of action, presence at every management level, continuity, and a flow from top to bottom through superior-subordinate relationships.

Quick Tip to Solve: Remember the four features as start, levels, continuity and downward flow. Keep these separate from the importance of directing, such as integrating efforts or facilitating change.

OR

25(b). Explain the following 'Semantic barriers' to communication :

(i) Technical jargon

(ii) Body language and gesture decoding [4 marks]

Solution:

Concept:

- Semantic barriers are difficulties in encoding and decoding a message because of the meaning of words, symbols or other expressions. The receiver consequently understands something different from what the sender intends.
- The two barriers asked here concern unfamiliar specialised vocabulary and the interpretation of non-verbal expressions accompanying a message.

Step 1: Explain technical jargon **(i) Technical jargon:** Specialists often use technical words or expressions when explaining a matter to people who do not belong to their professional group. Such receivers may not understand the specialised meaning, so the message cannot be interpreted correctly even though its words are familiar to the specialist.

For example, a computer specialist giving instructions to employees without technical training may use unfamiliar software terminology. The employees may misunderstand the instructions or be unable to act on them. The obstacle lies in the difference between the sender's and receiver's knowledge of the specialised language; it is therefore a semantic barrier.

Step 2: Explain body language and gesture decoding **(ii) Body language and gesture decoding:** Movements of the body, facial expressions and gestures communicate meaning along with spoken words. If the verbal message does not match the accompanying body language, the receiver may become confused about the intended meaning and interpret the message incorrectly.

For example, a manager may verbally welcome an employee's suggestion while displaying an angry expression or dismissive gesture. The conflicting signals can make the employee unsure whether the suggestion is actually welcome. Correct communication requires the words and non-verbal expressions to convey a consistent meaning, so that the receiver can decode the message as intended.

Step 3: Conclusion Technical jargon obstructs understanding when receivers lack the relevant specialised vocabulary. Body language and gesture decoding becomes a barrier when non-verbal expressions conflict with the spoken message, creating confusion about its meaning.

Quick Tip to Solve: For jargon, identify the gap in specialised vocabulary. For gesture decoding, show how conflicting words and body language make the intended meaning unclear.

26(a). Explain the following steps of the selection process :

(i) Selection Tests

(ii) Employment Interview [4 marks]

Solution:

Concept:

- Selection is the process of choosing, from the candidates recruited, the person best suited to a particular job. It compares an applicant's abilities and suitability with the requirements of the position.
- Selection tests and the employment interview are two successive sources of information about candidates. Tests measure relevant attributes, while an interview permits a detailed conversation to assess suitability.

Step 1: Explain selection tests **Selection Tests:** These are devices used to measure characteristics of applicants, ranging from physical dexterity to intelligence and personality. They help the organisation assess whether a candidate possesses the qualities needed for the job and provide a basis for comparing candidates. Different tests measure different attributes. An intelligence test indicates learning ability and the capacity to make decisions and judgments. An aptitude test measures the potential to learn new skills. A trade test measures existing skills and proficiency in a particular occupation. Personality tests assess characteristics such as emotions, reactions, maturity and value systems, while interest tests identify a person's pattern of interests. The choice of test must therefore match the requirements of the vacancy.

Step 2: Explain the employment interview **Employment Interview:** This is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job. The interviewer seeks information about the candidate's abilities, experience and other relevant characteristics, and assesses how well these match the position. The conversation also allows the candidate to obtain information about the organisation and the job. For example, the candidate may ask about the nature of work or career opportunities. Thus, an interview is a two-way exchange of information, rather than only a test of the applicant. It supplements the information obtained from the application and tests before a selection decision is made.

Step 3: Conclusion Selection tests measure relevant abilities and characteristics, whereas the employment interview uses a detailed, two-way conversation to evaluate the candidate's suitability and clarify information about the job and the organisation.

Quick Tip to Solve: For selection tests, explain what is measured; for the interview, mention both assessment of suitability and the two-way exchange of information.

OR

26(b). State any four points of importance of 'Staffing' function of management. [4 marks]

Solution:

Concept:

- Staffing is the managerial function of filling and keeping filled positions in an organisation structure. It includes finding suitable people and developing their capabilities to perform their assigned roles.
- The importance of staffing lies in ensuring that the organisation has competent personnel, uses its human resources effectively and maintains employees' motivation and growth.

Step 1: State how staffing secures suitable people and performance

- **Obtaining competent personnel:** Staffing helps discover and obtain competent personnel for various jobs. Recruitment attracts candidates, and selection identifies those whose qualifications, abilities and skills suit the positions. The organisation is therefore better equipped to carry out its activities through people who can perform the work required.
- **Higher performance:** Staffing helps achieve higher performance by putting the right person on the right job. When a person's capabilities are matched with the requirements of a position, the employee can use those capabilities productively. Suitable placement reduces the difficulty caused by assigning a person work for which he or she is ill suited and supports achievement of organisational objectives.

Step 2: State how staffing sustains the organisation and its people

- **Continuous survival and growth:** Staffing ensures the continuous survival and growth of the enterprise through succession planning for managers. It identifies and develops people who can take on positions of greater responsibility when vacancies arise. The organisation can consequently maintain continuity of management and prepare personnel for its future needs.
- **Optimum utilisation of human resources:** Staffing helps prevent both overmanning and shortage of personnel. By assessing manpower requirements and deploying people appropriately, it avoids unnecessary labour costs and disruption caused by insufficient staff. The available human resources are used more effectively, and the organisation can distribute work according to its actual requirements.

Step 3: Conclusion Four points of importance of staffing are obtaining competent personnel, achieving higher performance through suitable placement, ensuring continuous survival and growth through succession planning, and securing optimum utilisation of human resources.

Quick Tip to Solve: Recall staffing's benefits through four links: competent people, suitable jobs, future managers and effective use of the workforce. State each as a distinct point.

27. 'Shanta Enterprises' was in the business of manufacturing solar panels for the last fifteen years. With their expertise now they were able to manufacture good quality solar panels at lower cost. As a result 'Shanta Enterprises' was flooded with orders and was able to generate a good profit margin.

To motivate the employees the company decided to compensate some of them for their hard work. Arvind and Yogesh, who were working on contract basis, were absorbed permanently in the company. Both were happy as now there was stability about their future income. Ekta, a regular employee of the company, working as Research and Development Head, was awarded the 'Best Employee of the year Award'.

(a) Identify and explain the incentives given by Shanta Enterprises to its employees.

(b) State the needs of the employees being met by such incentives as per Maslow's Need Hierarchy Theory. [4 marks]

Solution:

Concept:

- Non-financial incentives motivate employees by satisfying psychological, social and higher-level needs rather than by directly increasing monetary compensation.
- In Maslow's hierarchy, safety or security needs concern protection and stability, whereas esteem needs concern recognition, respect, status and appreciation of achievement.

Step 1: Identify and explain job security **(a) Job security:** Arvind and Yogesh were "working on contract basis" and were "absorbed permanently in the company." This is the non-financial incentive of job security. Permanent employment reduces the fear of losing one's job and provides greater stability regarding future income. By making their employment more secure, Shanta Enterprises encourages commitment and motivates them to work with confidence rather than remain anxious about the continuation of their jobs.

Step 2: Identify and explain employee recognition **(a) Employee recognition:** Ekta was awarded the "Best Employee of the year Award." This is an employee recognition programme: management acknowledges and appreciates an employee's contribution and superior performance. An award communicates that the employee's work is valued, creates a sense of achievement and encourages continued good performance. The incentive identified here is recognition itself; the case does not state that Ekta received a monetary bonus.

Step 3: Link job security to the appropriate need **(b) Safety or security needs:** Arvind and Yogesh were happy because "there was stability about their future income." Permanent absorption meets their need for job security and economic security. These are safety needs in Maslow's hierarchy, as the benefit is reassurance about continued employment and protection against uncertainty about income.

Step 4: Link recognition to the appropriate need **(b) Esteem needs:** The award given to Ekta meets her esteem needs. Public appreciation of her work provides recognition and respect and strengthens her sense of achievement and self-worth. It is therefore associated with esteem rather than merely belonging to a work group or securing continued employment.

Step 5: Conclusion Shanta Enterprises provided **job security** to Arvind and Yogesh, satisfying their **safety or security needs**, and **employee recognition** to Ekta, satisfying her **esteem needs**.

Quick Tip to Solve: Match the benefit to the need: permanent employment and income stability indicate safety; an award appreciating achievement indicates esteem.

28. Explain the following factors affecting the working capital requirements of a company :

(a) Level of competition

(b) Inflation [4 marks]

Solution:

Concept:

- Working capital finances the day-to-day operations of a business, such as holding inventories, meeting operating expenses and financing credit sales until cash is collected.
- The amount required depends on the money tied up in current assets and the timing of operating payments and receipts. Competitive conditions and changes in prices can therefore change working capital requirements.

Step 1: Explain the effect of intense competition **(a) Level of competition – larger inventories:** When competition is intense, a company may need to maintain a larger stock of finished goods so that customers can obtain products promptly. Readily available stock helps it avoid losing orders to competitors. Holding additional inventory ties up more funds in current assets and consequently increases the working capital required.

Step 2: Explain the effect of competitive credit terms **(a) Level of competition – liberal credit:** To attract and retain customers in a competitive market, the company may offer more liberal credit terms. Cash is then collected later even though the company must continue to pay for production and other operating expenses. More funds remain tied up in trade receivables, increasing working capital requirements. Conversely, where competition is less intense, the pressure to maintain extra stock or extend liberal credit is lower, so working capital requirements tend to be lower, other things remaining the same.

Step 3: Explain the direct effect of inflation **(b) Inflation – higher operating costs:** Inflation increases the prices of raw materials and other inputs and can raise wages and operating expenses. Even if the physical volume of business remains unchanged, the company needs more money to buy the same quantities and meet its routine payments. Thus inflation generally increases the monetary amount of working capital required.

Step 4: Qualify the effect according to selling prices **(b) Inflation – ability to raise selling prices:** The actual impact also depends on whether, and how quickly, the company can increase its selling prices to recover the rise in input costs. If it cannot pass the increase on to customers, or collections occur only after a delay, the pressure on working capital is greater. Therefore the extent of the increase varies with the nature of the business and its pricing and collection conditions.

Step 5: Conclusion Intense competition generally raises working capital needs through larger inventories and more liberal customer credit. Inflation generally raises them because the same operating activity costs more, with the precise effect depending partly on the company's ability to adjust selling prices.

Quick Tip to Solve: For competition, trace funds into stock and receivables; for inflation, compare the money needed for the same physical volume of operations.

29. Nishi had gone to a grocery store to make routine purchases. On reaching home, as she took out Binx tomato chips packet from the bag to give it to her son, she felt that it was underweight. She checked its weight on the kitchen weighing scale and found that it weighed 60 grams whereas the label on the chips packet mentioned the weight of the packet as 100 grams. She approached the manufacturer and complained about it. The manufacturer offered her a gift hamper and requested her not to disclose this to anyone. Nishi refused to accept the gift hamper and took the issue to a redressal agency.

(a) State two responsibilities discharged by Nishi, as a consumer, in the above case.

(b) State any two reliefs which can be granted to Nishi, if the consumer court is satisfied with the genuineness of the complaint. [4 marks]

Solution:

Concept:

- Consumer Protection: a responsible consumer reads product labels carefully, including the net weight, and takes action against unfair trade practices instead of remaining silent.
- A consumer redressal agency may grant appropriate relief after establishing that the complaint is genuine. Replacement and refund are two possible remedies for deficient goods or a short quantity.

Step 1: State the first responsibility discharged **(a)(i) Read labels carefully:** A consumer should read the label to obtain information about the product's net weight, price and other essential particulars. Nishi noticed that the label "mentioned the weight of the packet as 100 grams" and compared it with the actual weight of 60 grams. By checking the declared quantity against the contents, she acted as an alert and informed consumer rather than accepting the packet without scrutiny.

Step 2: State the second responsibility discharged **(a)(ii) File a complaint in an appropriate consumer forum:** A consumer should complain when there is a shortcoming in the quality or quantity of goods and should not fail to act merely because the purchase is small. Nishi "refused to accept the gift hamper and took the issue to a redressal agency". This shows that she pursued a formal complaint against the short quantity instead of accepting an inducement to keep the matter secret.

Step 3: State two possible reliefs **(b)(i) Replacement of the goods:** The agency may direct the manufacturer to replace the underweight packet with a packet containing the correct stated quantity, free from the deficiency complained of.

(b)(ii) Refund of the price paid: The agency may direct the manufacturer to return the price Nishi paid for the packet. This restores the money paid for goods that did not provide the quantity represented on their label. These are two available forms of relief; the agency grants the appropriate remedy on the facts proved before it.

Step 4: Conclusion Nishi discharged her responsibilities by carefully checking the label and by filing a complaint in the appropriate redressal agency. Two reliefs available to her are replacement with a correctly filled packet and refund of the price paid.

Quick Tip to Solve: Match the consumer's action to the responsibility: checking the printed weight means reading labels; pursuing the complaint means using the consumer redressal machinery. State remedies separately from these duties.

30. Kaysons Ltd. was a reputed company manufacturing automotive parts for electric vehicles. As the demand for the electric vehicles grew, Kaysons Ltd. needed more capital to keep up with the demand for automotive parts. Atul, the Finance Manager of Kaysons Ltd. suggested that the company should raise funds through a public issue of shares as the stock market was bullish. The Chief Executive Officer fully understood that this process of raising funds would not only reduce the managements' holding in the company but would also require considerable expenditure. Even then he agreed with the Finance Manager and the public issue of shares was made complying with the guidelines of Securities and Exchange Board of India.

Identify and state four factors affecting choice of capital structure being discussed above. [4 marks]

Solution:

Concept:

- Financial Management: capital structure is the proportion of debt and equity used to finance a business. The choice of financing must consider market conditions, ownership control, issue costs and legal requirements.
- A case-based answer identifies the specific financing factor from the words of the case and explains how it affects the choice between debt and equity.

Step 1: Identify stock market conditions **Stock market conditions:** The Finance Manager favoured a public issue of shares "as the stock market was bullish". During a rising stock market, investors are more willing to subscribe to equity issues and shares may command better prices. This makes equity financing more attractive. In a depressed market, a company may find it harder to raise equity on favourable terms and may prefer debt. Thus the prevailing market conditions supported Kaysons Ltd.'s public share issue.

Step 2: Identify control considerations **Control:** The CEO understood that the issue would "reduce the managements' holding in the company". New equity shares generally carry voting rights, so issuing them to the public can dilute the existing owners' voting control. Debt does not ordinarily dilute ownership control. A management keen to preserve control may therefore prefer debt, subject to financial risk. Here the CEO accepted dilution to obtain the required funds.

Step 3: Identify the cost of raising funds **Floatation costs:** The public issue "would also require considerable expenditure". Raising funds entails issue expenses such as brokerage, underwriting commission and preparation of issue documents. A public issue of shares generally involves higher floatation costs than many debt arrangements or a private placement. These costs must be considered in choosing the financing source, because they reduce the net funds available to the company. Kaysons Ltd. accepted these issue expenses.

Step 4: Identify compliance requirements **Regulatory framework:** The public issue was made "complying with the guidelines of Securities and Exchange Board of India". Raising finance through shares is subject to the applicable legal and regulatory requirements, including disclosure and investor-protection requirements. Debt financing also has its own applicable requirements. The company must choose and implement its capital structure within the relevant framework; a favourable market does not remove the obligation to comply.

Step 5: Conclusion The four factors discussed are stock market conditions, control, floatation costs and the regulatory framework. A bullish market favoured equity, while the CEO also accepted

ownership dilution and issue expenditure and ensured compliance with SEBI guidelines.

Quick Tip to Solve: Use the four case clues in order: bullish market points to market conditions; reduced holding to control; issue expenditure to floatation costs; and SEBI guidelines to the regulatory framework.

31(a). Explain the following types of plans :

(i) Strategy

(ii) Method

(iii) Budget [6 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. Different plans guide decisions at different levels and express the intended action in different forms.
- A strategy gives broad direction, a method specifies the prescribed way of performing an activity, and a budget expresses expected results in numerical terms.

Step 1: Explain strategy as a comprehensive plan **(i) Strategy:** A strategy is a comprehensive plan for accomplishing an organisation's objectives. It provides the broad outline within which important decisions are made. It includes determining long-term objectives, adopting the courses of action needed to achieve them, and allocating the resources necessary for those courses of action.

Strategy is formulated after considering both the business environment and the organisation's own strengths and weaknesses. For example, a firm seeking growth may decide to enter a new geographical market, offer products suited to local buyers and allocate funds to distribution. These decisions form a coordinated direction for the business rather than a separate instruction for each routine task.

Step 2: Explain method as a prescribed way of working **(ii) Method:** A method specifies the prescribed way or manner in which a task or activity is to be performed, keeping its objective in view. It deals with a particular step of a procedure and can vary according to the task and circumstances.

Choosing a suitable method makes performance more systematic, reduces unnecessary effort and improves efficiency. For example, employees may be trained through an apprenticeship method or an on-the-job coaching method. The selected method tells the trainer how the training activity will be carried out. A method therefore concerns the way of doing an activity, while a procedure gives the sequence of several activities.

Step 3: Explain budget as a numerical plan **(iii) Budget:** A budget is a statement of expected results expressed in numerical terms for a specified future period. It may be stated in financial terms, such as expected sales revenue and expenditure, or in physical units, such as units to be produced or labour hours required.

A cash budget, for example, estimates expected cash receipts and payments and helps the business plan its cash requirements. A budget also provides a standard for control: actual results can be compared with the budgeted figures to identify deviations and take corrective action. Thus, it translates a proposed course of action into measurable targets.

Step 4: Conclusion Strategy establishes the overall direction and resource commitments; a method

prescribes how a particular activity is performed; and a budget states expected results numerically. Each is a distinct type of plan supporting the achievement of organisational objectives.

Quick Tip to Solve: Remember the distinguishing cues: strategy means overall direction, method means the way of doing a task, and budget means numerical expectations.

OR

31(b). Explain the following limitations of planning function of management :

(i) Planning may not work in a dynamic environment.

(ii) Planning leads to rigidity.

(iii) Planning is time consuming. [6 marks]

Solution:

Concept:

- Planning determines a future course of action in advance. Its usefulness depends on assumptions about future conditions, the ability to respond to change and the time available for preparing the plan.
- Planning improves purposeful action, but it cannot eliminate uncertainty. A changing environment, inflexible commitments and the time spent preparing plans can limit its effectiveness.

Step 1: Explain the difficulty created by a dynamic environment **(i) Planning may not work in a dynamic environment:** The business environment continuously changes through economic, political, legal, social and technological developments. Plans are based on assumptions about future conditions, but these assumptions may become inaccurate when the environment changes unexpectedly.

For example, a firm may plan production using an expected level of demand, but a sudden change in customers' tastes or a new competing technology may make the plan unsuitable. Such external changes are largely beyond the control of managers. Consequently, even a carefully prepared plan may not produce the expected results and may have to be revised. Planning cannot predict every change or provide certainty about the future.

Step 2: Explain the rigidity produced by predetermined action **(ii) Planning leads to rigidity:** A well-defined plan specifies the objectives to be achieved and the actions to be taken within a particular period. Managers and employees may become committed to these predetermined courses of action and may find it difficult to depart from them.

In practice, circumstances may require a different response. Strict adherence to an existing plan can then prevent prompt adjustment and reduce the initiative of employees. For example, continuing a fixed production plan despite an unexpected fall in demand can create unwanted stock. Plans must allow flexibility; otherwise, the very framework intended to guide action can restrict a suitable response to changed conditions.

Step 3: Explain the time required to prepare a plan **(iii) Planning is time consuming:** Preparing a sound plan requires collecting information, analysing the situation, making forecasts, identifying alternative courses of action and evaluating those alternatives. Detailed discussion and coordination

may also be necessary before a final decision is made.

These activities can take considerable time. If managers spend too long preparing a plan, little time may remain for its implementation, or the opportunity for which it was prepared may disappear. For example, excessive delay in evaluating a market-entry proposal may allow competitors to capture the opportunity first. The time devoted to planning must therefore be appropriate to the urgency of the decision.

Step 4: Conclusion Planning may become ineffective when environmental assumptions change, may restrict adaptation through rigid commitments, and may delay implementation because preparing plans takes time. These limitations call for realistic assumptions, flexibility and timely decisions.

Quick Tip to Solve: Link each limitation to its cause: changing external conditions undermine assumptions, fixed commitments cause rigidity, and information collection and evaluation consume time.

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32. Ankur Sachdeva did his MBA from ITB University. He decided to apply his knowledge of scientific management in the fast food restaurant chain 'Coffee Bean' set up by him. This restaurant was providing burgers, fries, shakes etc. as a part of its menu.

Now a days people are quality conscious, so he was using standardised raw materials, processes, methods, working conditions, machinery etc. The objective was to establish standards of excellence. By doing this he was not only able to reduce the cost but was also able to provide new varieties of burgers, fries and shakes leading to increased turnover.

Ankur Sachdeva also believed that there was only one best method to maximise efficiency. As a result he developed best way of grilling burgers, cooking fries and preparing shakes. His main objective was to maximise the satisfaction of customers, which he was able to achieve.

Not only to learn the best way of doing a job, but to perform their tasks efficiently, 'Coffee Bean' regularly invests in training and development programmes to equip employees with the necessary skill and knowledge. 'Coffee Bean' believed that efficient employees will produce more and earn more. This will ensure their greatest efficiency and prosperity for both company and workers.

The above case highlights the use of Scientific principles and techniques by 'Coffee Bean'. Explain any one such principle and two techniques. [6 marks]

Solution:

Concept:

- Taylor's scientific management uses systematic investigation of work instead of guesswork to improve efficiency and secure prosperity for both workers and the enterprise.
- A principle states a broad guiding idea, whereas a technique is a specific procedure for applying scientific management. The case illustrates development of every person, standardisation and method study.

Step 1: Explain development of each and every person to his or her greatest efficiency and prosperity
The principle: Taylor advocated scientific selection of employees and their systematic training and development. Each worker should receive work suited to his or her physical, mental and intellectual

capabilities and should be taught the best method of performing it. This develops the worker's potential and improves efficiency rather than leaving performance to chance.

Evidence and result: The case states that Coffee Bean "regularly invests in training and development programmes to equip employees with the necessary skill and knowledge". Better trained employees can produce more and earn more; the enterprise also benefits from higher productivity. This explains the case's objective of "greatest efficiency and prosperity for both company and workers".

Step 2: Explain standardisation of work **The technique:** Standardisation means setting standards for business activities, including raw materials, processes, methods, machinery and working conditions. These standards become benchmarks against which actual performance can be judged. They promote consistent quality, reduce unnecessary variation and waste, and make efficient methods repeatable.

Evidence and result: Coffee Bean uses "standardised raw materials, processes, methods, working conditions, machinery etc." to "establish standards of excellence". Uniform inputs and procedures help the restaurant maintain the required quality and reduce its cost of production. Standardisation here concerns quality and methods; it does not require eliminating the new varieties mentioned in the case.

Step 3: Explain method study **The technique:** Method study seeks the one best way of doing a job. Management examines the methods and sequence of activities, compares alternatives, and chooses the method that minimises production cost and makes the best use of resources while achieving the required output and quality.

Evidence and result: Ankur believed that "there was only one best method to maximise efficiency" and developed the "best way of grilling burgers, cooking fries and preparing shakes". Studying these operations and selecting the best procedure is method study; its application improves efficiency and helps deliver customer satisfaction.

Step 4: Conclusion One principle is **development of each and every person to his or her greatest efficiency and prosperity**; the two techniques are **standardisation of work** and **method study**. Training develops people, standards ensure consistent performance, and method study identifies the best procedure.

Quick Tip to Solve: Link "training and development" to the development principle, "standards of excellence" to standardisation, and "one best method" to method study. Name each concept before explaining its case evidence.

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

(i) Marketing Planning

(ii) Branding

(iii) Pricing [6 marks]

Solution:

Concept:

- Marketing includes the activities through which a business identifies customer needs and creates, communicates and delivers offerings that satisfy those needs while achieving its objectives.
- Marketing planning determines the course of marketing action; branding gives the product an identifiable identity; pricing determines the amount a buyer must pay for it.

Step 1: Explain marketing planning **Set marketing objectives:** Marketing planning involves preparing an appropriate plan to achieve the organisation's marketing objectives. The business first decides what it wants to achieve, such as increasing its market share or expanding sales in a particular customer segment. The objectives provide a direction for its marketing efforts.

Decide the programme of action: The plan specifies the strategies, activities and resources required to reach those objectives. For example, a firm seeking a larger market share may plan an increase in production, distribution coverage, sales promotion and advertising. Coordinating these activities ensures that product availability and promotional efforts support the same objective.

Step 2: Explain branding **Give the product a distinct identity:** Branding is the process of giving a product a name, sign, symbol, design or a combination of these to identify a seller's product and distinguish it from competing products. Choosing an appropriate brand name is an important marketing decision.

Support recognition and differentiation: A recognisable brand helps buyers identify the product, make repeat purchases and distinguish its expected quality from alternatives. It also helps the seller build a reputation, advertise the product and develop customer loyalty. Thus, branding provides an identity around which the firm's marketing efforts can be organised; it is more than merely giving a generic name to a product category.

Step 3: Explain pricing **Determine the amount charged:** Pricing is the function of deciding the price at which a product or service will be offered to customers. Price is the money that customers must pay to obtain it. Because customers compare the benefit received with the amount paid, price directly influences demand and sales.

Balance customer demand and business objectives: The marketer considers production and marketing costs, customer demand and the utility of the product, competitors' prices, government regulations and the firm's pricing objectives. A suitable price should be acceptable to the target customers while helping the firm meet its objectives. Pricing decisions may also include discounts, allowances and credit terms that affect the customer's effective payment.

Step 4: Conclusion **Marketing planning** establishes objectives and a coordinated action plan; **branding** identifies and differentiates the offering; and **pricing** fixes the amount charged after considering demand, costs and other relevant factors.

Quick Tip to Solve: Keep the three functions distinct: planning answers "what should marketing achieve and how?", branding answers "how will buyers recognise the product?", and pricing answers "what will buyers pay?".

OR

33(b). Explain 'Advertising', 'Sales Promotion' and 'Public Relations' as elements of promotion mix.

[6 marks]

Solution:

Concept:

- Promotion mix is the combination of promotional tools a business uses to inform prospective buyers about its products, persuade them to purchase and maintain favourable relations with its public.
- Advertising, sales promotion and public relations serve different but complementary purposes: mass communication, immediate purchase incentives and the creation of goodwill, respectively.

Step 1: Explain advertising **Advertising:** Advertising is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The advertiser purchases space or time in media such as newspapers, television, radio or digital platforms to communicate a message to a large audience. It is non-personal because the advertiser does not deal face to face with each potential customer. The sponsor is identifiable, so the audience knows who is responsible for the message. For example, a company may pay for an advertisement introducing the features of its new refrigerator. Advertising creates awareness, helps differentiate a brand and can repeatedly remind buyers of its benefits, although it does not provide the immediate personal feedback available in personal selling.

Step 2: Explain sales promotion **Sales promotion:** Sales promotion refers to short-term incentives designed to encourage buyers to make an immediate purchase of a product or service. It supplements advertising and personal selling by giving the buyer an additional reason to buy now. Common methods include discounts, rebates, free samples, quantity gifts, coupons and contests. For example, a temporary discount on a refrigerator or a free accessory with its purchase may accelerate a customer's buying decision. Unlike advertising, which communicates reasons for preferring the product, a sales promotion offers a specific additional inducement. Such incentives are normally available for a limited period and are particularly useful for introducing a product, attracting attention or increasing sales in the short run.

Step 3: Explain public relations **Public relations:** Public relations involves planned activities aimed at promoting and protecting the image of a business and its products in the eyes of its various publics. These publics include customers, employees, investors, suppliers, the government, the media and the community. A business builds goodwill by maintaining constructive communication with them and dealing responsibly with matters affecting its reputation. Activities can include press releases, press conferences, corporate communications, sponsorships and community initiatives. For example, communicating reliable information about a company's community programme can improve public understanding and confidence. Public relations has a wider purpose than generating an immediate sale: it seeks a favourable reputation and lasting relationships. Publicity is one tool of public relations, rather than the whole of public relations.

Step 4: Conclusion Advertising provides paid communication from an identified sponsor, sales promotion offers short-term purchase incentives, and public relations builds and protects goodwill. Together these elements help a firm communicate with buyers and its wider public.

Quick Tip to Solve: Distinguish the three by their main purpose: advertising informs and persuades, sales promotion gives an immediate incentive, and public relations builds goodwill.

34. Preeti started her own cooking channel on Youtube 'Mood Art'. As her subscribers increased, she was not in a position to manage everything on her own. She hired Rahul and Riya to help her with filming, editing, lighting and content research. She granted authority to them to operate within prescribed limits. She was thus, able to use her time on high priority activities like developing new recipes and content development etc. As a result, Rahul and Riya were given opportunities to develop and exercise initiative. Preeti was now able to focus on objectives and meet the target of achieving a subscriber base of one million in six months.

(a) Identify the concept of management used by Preeti to focus on objectives of her business and meet her targets.

(b) Explain any five points of importance of the concept identified in (a) above. [6 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out assigned duties. The subordinate receives authority within prescribed limits, while the superior remains accountable for the ultimate outcome.
- Delegation enables managers to concentrate on important activities and develops the competence, initiative and motivation of their subordinates. It is necessary when one person cannot perform every organisational activity alone.

Step 1: Identify the concept used by Preeti **(a) Delegation of authority:** Preeti assigned filming, editing, lighting and content research to Rahul and Riya and "granted authority to them to operate within prescribed limits." This is delegation: she entrusted work to subordinates and gave them the authority needed to perform it. She could then concentrate on developing recipes and content while retaining responsibility for her channel's overall performance. Hiring helpers alone would not establish delegation; the transfer of authority within limits is the decisive feature.

Step 2: Explain effectiveness and employee development **(b) Importance of delegation – any five points:**

- **Effective management:** Delegation reduces the manager's workload and releases time for important decisions and activities that require the manager's own attention. Preeti was able to use her time on "high priority activities like developing new recipes and content development". By assigning routine supporting tasks, she could direct her effort towards achieving the channel's objectives rather than trying to handle every operation herself.
- **Employee development:** When subordinates receive authority to carry out work, they gain experience, practise decision-making and learn to solve problems. Rahul and Riya were given opportunities to "develop and exercise initiative". Responsibility for their assigned tasks helps them develop their abilities and prepares them to undertake more demanding roles in future.

Step 3: Explain motivation, growth and coordination

- **Motivation of employees:** Entrusting subordinates with authority conveys confidence in their competence. It can satisfy their needs for recognition, responsibility and achievement, improving confidence and commitment. Preeti's decision to let Rahul and Riya "operate within prescribed limits" gives them a meaningful role in running the channel rather than treating them only as people who follow every minor instruction.

- **Facilitation of growth:** Delegation develops a pool of capable employees who can accept greater responsibilities as the enterprise expands. The case begins with the problem that, "As her subscribers increased, she was not in a position to manage everything on her own." Sharing work and authority provides the managerial capacity needed to support this expansion and enables Preeti to pursue the target of one million subscribers.
- **Better coordination:** Delegation clarifies who is responsible for particular duties and what authority each person possesses. This helps avoid duplication, confusion and overlapping efforts, allowing individual contributions to be combined towards a common objective. In this case, the supporting work of filming, editing, lighting and research can be coordinated with Preeti's recipe and content development because duties are assigned and authority has prescribed limits.

Step 4: Conclusion Preeti used delegation of authority. Its importance is seen in effective management, employee development, employee motivation, facilitation of growth and better coordination, all of which support the channel's objective of reaching one million subscribers in six months.

Quick Tip to Solve: In a delegation case, first locate the assignment of duties and grant of authority. Then explain five distinct benefits, linking each to a relevant fact rather than repeating the definition.