CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/4/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question paper contains **34** questions. **All** questions are **compulsory**.
(ii) Marks are indicated against each question.
(iii) Answers should be brief and to the point.
(iv) Answers to 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. _____ 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 compares actual performance with predetermined standards and removes deviations so that organisational objectives can be achieved.
- Taking corrective action is the final step. Where the standard itself is unrealistic, management may revise it instead of trying to enforce an unattainable target.

Step 1: Identify the action described The decisive words are "standards may have to be revised when a deviation cannot be corrected through managerial action. This is a decision about how to remove the cause of an unresolved deviation, so it belongs to taking corrective action.

Step 2: Eliminate the earlier steps Setting performance standards creates the original benchmarks. Measurement records actual results, while comparison and analysis identify and investigate the deviation. These earlier steps provide information; taking corrective action uses that information and may include revising an unrealistic standard.

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

Quick Tip to Solve: A revision of an unrealistic standard is a corrective decision, even though the original standard was set at the start of controlling.

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

(A) Operational level management is responsible for maintaining quality of output.

(B) At middle level management, managers carry out the plans formulated by the top level managers.

(C) At top level management, the managers are responsible for all the activities of the business and its impact on the society.

(D) At top level management, the managers co-operate with other departments for smooth functioning of the organisation.

Correct Answer: (D) At top level management, the managers co-operate with other departments for smooth functioning of the organisation.

Solution:

Concept:

- Top management determines overall objectives, coordinates the organisation as a whole and is responsible for its performance and impact on society.

- Middle managers implement top-level plans and cooperate with other departments; operational managers supervise workers and maintain the quality of output.

Step 1: Check the responsibilities in the first three statements Option (A) correctly places maintaining output quality at the operational level. Option (B) correctly says that middle managers carry out the plans formulated by top management. Option (C) correctly gives top management responsibility for the business as a whole and its social impact.

Step 2: Locate the misplaced responsibility Cooperating with other departments for smooth functioning is specifically a responsibility of middle management. Departmental heads must coordinate their departments with one another while implementing the overall plans. Option (D) incorrectly assigns this stated middle-level responsibility to top management.

Step 3: Conclusion The incorrect statement is the one in option (D). Hence, the correct option is (D).

Quick Tip to Solve: For levels-of-management questions, associate department-to-department cooperation with middle managers and overall direction with top managers.

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 includes identifying and dividing work, departmentalisation, assigning duties, and establishing authority and reporting relationships.
- Authority and reporting relationships specify who gives instructions, who reports to whom, and who is accountable to a superior.

Step 1: Match the words to the organising step The statement says that each individual should know "who he has to take orders from and to whom he is accountable. These words identify the superior-subordinate relationship and the chain through which instructions and reports pass.

Step 2: Distinguish the other steps Identification and division of work breaks the total task into activities. Departmentalisation groups related activities, while assignment of duties allocates those activities to employees. Merely allocating work does not clarify the reporting chain; establishing authority and reporting relationships does.

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

Quick Tip to Solve: Look for "orders, "reports to and "accountable as clues to authority and reporting relationships, rather than assignment of duties.

4. 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:

- The organisational objectives of management include survival, profit and growth. Growth means an increase in the scale and scope of the enterprise over time.
- Growth can be assessed through indicators such as sales volume, number of products, capital investment and number of employees.

Step 1: Identify the indicators in the case The company wants "to increase its sales volume, the number of products and capital investment. Each indicator concerns expansion of business operations, and the reference to growing in the long run directly supports the growth objective.

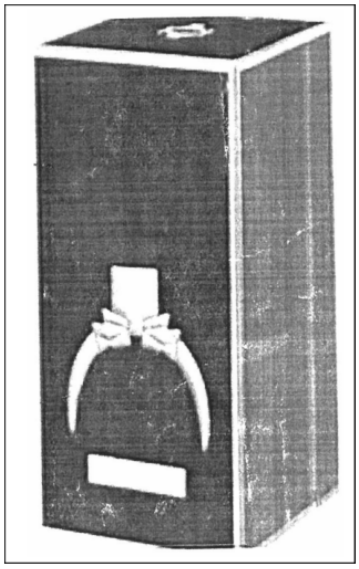
Step 2: Rule out the other objectives Survival means earning enough to cover costs and continuing to exist. Profit concerns the surplus needed to reward enterprise and support future operations. Corporate social responsibility concerns obligations towards society. The stated aim is expansion, rather than merely continuing operations, earning a surplus or meeting social obligations.

Step 3: Conclusion The organisational objective is growth. Hence, the correct option is (C).

Quick Tip to Solve: When sales, product range or investment are increasing together, identify growth; a reference only to covering costs points to survival.

5. 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 of a product; for perfume, it is the bottle that directly holds the liquid.
- Secondary packaging is an additional layer protecting the primary package. Transportation packaging holds several sales units together for handling and transport.

Step 1: Identify the package being asked about The question asks about the box shown around the perfume bottle. The bottle is the immediate container, while this outer box provides an additional layer of protection and presentation. Therefore, the box is secondary packaging.

Step 2: Distinguish the remaining options Option (A) would describe the bottle itself, rather than its outer box. Option (C) would describe a larger shipping carton or other pack used for transporting several units. Option (D) is incorrect because the particular box asked about is not both the immediate container and its additional outer layer.

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

Quick Tip to Solve: Identify the specific layer named in the question: perfume liquid touches the bottle, while the retail box around the bottle is secondary packaging.

6. 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 adversely affect an enterprise if it does not respond in time.
- Awareness of the business environment provides early warning signals, enabling a firm to prepare and reduce the effect of threats.

Step 1: Identify the external threat in the case Rajat heard about the "upcoming ban on single use plastics. Since his business manufactured plastic disposables, the ban could hinder the firm's performance. Recognising it before it took effect gave him an early warning and allowed him to shift to bamboo and palm leaves.

Step 2: Choose the most direct importance The case explicitly centres on detecting a harmful environmental trend and responding to it, so identifying threats and early warning signals is the best match. Option (A) stresses a favourable opportunity and first-mover advantage; option (C) stresses obtaining resources; option (D) stresses planning and policy formulation. These do not state the central point as directly as option (B).

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

Quick Tip to Solve: First classify the external change: an impending restriction on the firm's existing products is a threat, even if its response later produces profit.

7. 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 redressal commissions provide a mechanism for complaints about defective goods and deficient services, with jurisdiction determined by the applicable pecuniary limits.
- A person using goods with the buyer's approval can also be a consumer. A birthday gift does not by itself remove the recipient's consumer protection.

Step 1: Apply the consumer status and value given Payal uses the smartphone purchased by her father and gifted to her. The phone is worth Rs 40,500, and its defects remain unresolved despite attempts to contact the manufacturer. The amount is within the pecuniary jurisdiction of the District Commission.

Step 2: Select the appropriate first forum Payal should begin her complaint at the District Forum/-Commission, rather than choosing a higher forum merely because the manufacturer failed to respond. The State and National Commissions deal with complaints within their respective higher pecuniary jurisdictions and appeals as provided. The Supreme Court is not the appropriate initial grievance redressal machinery for this 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 value stated in the case to choose the appropriate commission; a manufacturer's silence does not automatically send the complaint to a higher forum.

8. 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 is the withdrawal of the legal-tender status of specified currency notes. It is also viewed as a tax administration measure.
- Its stated features include discouraging tax evasion and encouraging savings and transactions through the formal financial system, helping create a less-cash economy.

Step 1: Identify the direction of the policy The word NOT asks for the statement that contradicts the features of demonetisation. Moving savings through banks and other formal channels makes transactions more traceable and can improve tax compliance. Therefore, channelising savings towards, rather than away from, the formal system is the relevant feature.

Step 2: Eliminate the genuine features Option (A) correctly refers to a less-cash economy and more savings through formal channels. Option (B) correctly describes the signal that tax evasion will no longer be tolerated. Option (C) is the standard description of demonetisation as a tax administration measure. Option (D) reverses the direction of the intended movement of savings and is therefore the exception.

Step 3: Conclusion Demonetisation did not feature channelising savings away from the formal financial system. Hence, the correct option is (D).

Quick Tip to Solve: For a NOT question, first mark the accepted features, then look for a reversed word such as towards versus away from.

9. 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, ingredients, price, manufacturing date and other relevant particulars.
- Information on the package and label enables an informed buying decision and helps protect consumers against misleading claims.

Step 1: Match the case details to the right Lyka Ltd. supplies the "name and address of the manufacturer", "manufacturing date", "expiry date" and "maximum retail price" on its package and label. These are product particulars supplied to the buyer, so the case highlights the right to be informed.

Step 2: Rule out the other consumer rights The right to choose, option (A), concerns access to a variety of products at competitive prices. Consumer education, option (C), concerns acquiring knowledge and awareness of consumer rights and responsibilities. Safety, option (D), protects against goods and services hazardous to life and health. Although expiry information can assist safe use, the central act described here is providing product information.

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

Quick Tip to Solve: When a case lists MRP, quantity, manufacture or expiry details on a label, identify the right to be informed.

10. '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 or directing funds available for investment to their most productive investment opportunity.
- A financial market links savers with investors and assists the transfer of savings to productive uses.

Step 1: Recognise the defined process The quotation describes a process that directs investible funds towards their most productive opportunity. This is the textbook definition of financial intermediation. The focus is on the movement and allocation of funds from those who have savings to those who can use them productively.

Step 2: Distinguish the close alternatives Financial planning, option (A), estimates financial requirements and determines sources and uses of funds for an enterprise. The allocative function, option (C), describes the allocation role of a financial system, but the process defined in the quotation is specifically named financial intermediation. Capital budgeting, option (D), is the evaluation and selection of long-term investment projects within a firm.

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

Quick Tip to Solve: Remember the exact definition: directing available savings to productive investment opportunities is financial intermediation.

11. 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:

- Informal organisation develops spontaneously through social interaction and personal relationships among employees, rather than through an officially prescribed structure.
- It fulfils social needs, provides a sense of belonging and can improve employees' job satisfaction.

Step 1: Identify the social advantage Option (C) refers to a "sense of belongingness" and finding "like minded people". These arise from friendship and social interaction in informal groups. Meeting these social needs can make employees feel accepted and improve their satisfaction at work.

Step 2: Separate formal-structure benefits Option (A) attributes predictable behaviour to specific rules, which is a benefit of formal organisation. Option (B) refers to the official operational framework for attaining goals, also a formal-organisation benefit. Option (D) relies on clearly defined roles to avoid duplication, another feature of formal organisation. These do not describe the spontaneous social network.

Step 3: Conclusion Informal organisation enhances job satisfaction by providing belongingness and contact with like-minded colleagues. Hence, the correct option is (C).

Quick Tip to Solve: Associate informal organisation with friendship, social needs and belonging; associate formal organisation with rules and defined roles.

12. _____ 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 group efforts so that different activities work together towards common organisational objectives.
- It synchronises departmental activities and ensures unity of action, even when departments perform different specialised tasks.

Step 1: Identify the defining action The decisive word is "synchronises". A manager must link the activities of different departments so that their timing and efforts support one another instead of conflicting. This integration of diverse efforts is coordination.

Step 2: Compare the other choices Management, option (A), is the wider process of getting work done effectively and efficiently; coordination is its essence. Planning, option (B), decides in advance what to do and how to do it. Directing, option (D), concerns instructing, guiding, motivating and leading people. None is as precise as coordination for synchronising departmental activities.

Step 3: Conclusion Coordination is the process by which a manager synchronises the activities of different departments. Hence, the correct option is (C).

Quick Tip to Solve: Use the cue synchronises or integrates efforts to identify coordination and unity of action.

13. 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 part of a brand that can be spoken or verbalised, such as a word, name or group of letters.

- A trademark is a brand or part of a brand that receives legal protection, giving its owner protection against unauthorised use.

Step 1: Evaluate Statement I Statement I identifies the spoken part of a brand as its brand name. This agrees with the definition. A brand mark, by contrast, is the recognisable visual part that need not be verbalised. Therefore, 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. This is also the standard definition, so Statement II is true. Option (A) wrongly rejects Statement II, and option (B) wrongly rejects Statement I. Option (D) wrongly rejects both. Only option (C) retains the truth of both independent statements.

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

Quick Tip to Solve: Test each statement separately: spoken identifies brand name, while legal protection identifies trademark.

14. _____ 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 refers to the holding of securities in electronic form rather than as physical certificates.
- An investor's electronic securities balance is maintained through a depository and a depository participant, supporting convenient transfer and reducing physical-certificate risks.

Step 1: Match the phrase electronic form The question gives the identifying feature "holding securities in electronic form". Dematerialisation replaces paper certificates with electronic records of ownership. Hence option (B) matches the process described.

Step 2: Eliminate unrelated financial processes Financial intermediation, option (A), allocates savings to investment opportunities; it does not name electronic holding. The allocative function, option (C), concerns directing financial resources to productive uses. Mobilisation of securities, option (D), is not the term for replacing physical certificates with electronic balances. The question is about the form in which ownership is held, not the allocation or mobilisation of funds.

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

Quick Tip to Solve: Link dematerialisation with demat: securities are held as electronic balances instead of paper certificates.

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 includes scientific improvements and innovations that provide new ways of producing goods, providing services and conducting business.
- Identify an environmental dimension by the specific external change shown in the case, rather than by the general activity of the business.

Step 1: Identify the change in booking tickets Samaira and Sana booked tickets "online" and chose seats "at the click of a button". Internet-based booking technology allows the service to be completed remotely, replacing the need to visit the theatre merely to buy tickets.

Step 2: Match the change with the correct dimension This is a technological development in service delivery. Political environment concerns government attitudes and political conditions; legal environment concerns laws and regulations. Social environment concerns customs, values and social trends. None of those is the change described here, so options (A), (B) and (C) do not fit.

Step 3: Conclusion The case reflects the technological environment because online ticket booking changes how the theatre provides its booking service. Hence, the correct option is (D).

Quick Tip to Solve: Online platforms, automation and new digital methods usually point to the technological environment; identify the innovation described in the case.

16. 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:

- A dynamic environment keeps changing with changes in technology, consumer preferences, competition and other external forces.
- Relativity means that the business environment differs from country to country or region to region. Uncertainty means that future environmental changes are difficult to predict accurately.

Step 1: Evaluate Statement I The statement links dynamism with differences "from country to country". These geographical differences describe relativity, not dynamism. Although the environment is dynamic, the explanation given in Statement I describes another feature; therefore Statement I as printed is false.

Step 2: Evaluate Statement II and eliminate alternatives Statement II correctly describes uncertainty: future happenings cannot generally be predicted accurately, especially when changes are frequent and rapid. Thus Statement II is true. Option (A) reverses these verdicts, option (C) incorrectly accepts Statement I, and option (D) incorrectly rejects Statement II.

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

Quick Tip to Solve: Link change over time with dynamism, differences across places with relativity, and difficulty forecasting with uncertainty.

17. 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:

- A dividend decision determines how much of the earnings is distributed to shareholders and how much is retained in the business.
- The amount of earnings is a major factor in this decision because dividends are paid from current earnings and accumulated past earnings.

Step 1: Evaluate the assertion The assertion is true. The earnings available to a company affect the amount it can distribute as dividend. Other factors also influence the decision, but that does not prevent the amount of earnings from being a major determinant.

Step 2: Evaluate the reason The reason is also true: dividends are paid out of current and past earnings. Past earnings retained by the company provide an accumulated source, while current profits provide another source for the distribution.

Step 3: Test whether the reason explains the assertion Since earnings are the source of dividend payments, their amount directly affects the dividend decision. Therefore the reason explains the assertion. Option (B) wrongly denies this explanatory connection; options (C) and (D) incorrectly call one of the two true statements false.

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

Quick Tip to Solve: In dividend questions, distinguish the source of payment, earnings, from the cash availability needed to make the actual payment.

18. 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 means instructing, guiding, counselling, motivating and leading people to achieve organisational objectives. It initiates action and operates throughout the managerial hierarchy.
- Controlling compares actual performance with planned standards and takes corrective action to ensure that activities conform to plans.

Step 1: Check the stated features of directing Option (A) is a feature because directing converts plans into action by guiding employees. Option (B) is also a feature: managers at every level direct their subordinates. Option (D) is a feature because direction flows from a superior to subordinates, that is, from top to bottom.

Step 2: Identify the feature of another function Ensuring that activities are performed as per plans involves assessing actual work against standards and correcting deviations. This describes controlling. It is therefore not a feature identifying the directing function, even though directing and controlling both contribute to achieving objectives.

Step 3: Conclusion "Directing ensures that activities are performed as per plans" describes controlling rather than a feature of directing. Hence, the correct option is (C).

Quick Tip to Solve: In a NOT question, separate guiding people to act, directing, from checking their performance against plans, controlling.

19. '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 designed to encourage consumers to try or purchase a product. Distributing free samples is one such technique.

- Promotion tools differ in their method: advertising uses paid, non-personal messages, personal selling involves personal interaction, and public relations builds favourable relations and public image.

Step 1: Identify the promotional technique in the case Marbury Biscuits decided to "distribute free samples" of its new oat cookies in schools. A sample lets potential buyers taste and evaluate a new product without initially paying for it, encouraging trial and possible future purchases.

Step 2: Distinguish the promotion tool from the alternatives Free sampling is a sales-promotion incentive, so option (C) fits. The case does not describe a paid advertisement, making (A) unsuitable. It does not describe a salesperson's personal presentation and persuasion, so (B) is not supported. Building public image through public relations is different from giving a direct trial incentive, so (D) does not identify this technique.

Step 3: Conclusion Marbury Biscuits uses sales promotion through the distribution of free samples. Hence, the correct option is (C).

Quick Tip to Solve: Free samples, coupons, rebates and contests are sales-promotion techniques; look for a direct incentive to try or buy.

20. 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's developmental functions promote the growth and efficient functioning of the securities market, including training its intermediaries.
- Regulatory functions govern market participants and transactions; protective functions safeguard investors from unfair practices such as insider trading.

Step 1: Classify training and takeover regulation A, training intermediaries, improves the knowledge and capabilities of those operating in the securities market, so it is a development function, (iii). B explicitly concerns the regulation of takeover bids by companies; setting and enforcing rules for these

bids is a regulatory function, (i).

Step 2: Classify insider-trading control and select the complete match C, controlling insider trading and imposing penalties, protects investors against an unfair trading practice, so it is a protective function, (ii). The complete pairing is A(iii), B(i), C(ii). Option (A) misclassifies all three; option (B) also misclassifies all three. Option (D) gets A right but swaps the classifications of takeover regulation and insider-trading control.

Step 3: Conclusion The correct matching is A(iii), B(i), C(ii): training is developmental, takeover regulation is regulatory, and insider-trading control is protective. Hence, the correct option is (C).

Quick Tip to Solve: For SEBI matching, associate training with development, takeover rules with regulation, and prevention of unfair trading with protection.

---

21. 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 abilities. Training improves performance in the present job, while development prepares employees for greater responsibilities and future jobs.
- In Staffing, investment in learning benefits the organisation through better performance, readiness for change and a more capable and committed workforce.

Step 1: Identify the concept from the case The concept is **training and development**. Suzon cars wants employees to "improve their performance on the current job" and be "prepared for any intended job in future". These phrases show both present-job training and future-oriented development. Improving their knowledge and skills will enable them to work with Artificial Intelligence technology.

Step 2: State five benefits to the organisation

1. **Systematic learning:** Training provides an organised way of acquiring skills, avoiding the waste of time, effort and money caused by learning only through trial and error.
2. **Higher productivity:** Better skills improve the quantity and quality of employees' output, helping the organisation earn higher profits.

3. **Preparation of future managers:** Development builds employees' capabilities so that they can take over managerial positions when an emergency or a future need arises.
4. **Higher morale:** Learning opportunities increase employees' confidence and morale, thereby reducing absenteeism and employee turnover.
5. **Effective response to change:** A trained workforce can respond effectively to a fast-changing technological and economic environment, as required by Suzon cars' move to AI-enabled electric cars.

Step 3: Conclusion Suzon cars is using training and development. It benefits the organisation through systematic learning, improved productivity, preparation of future managers, higher employee morale and effective adaptation to change.

Quick Tip to Solve: Link "current job" with training and "future job" with development; when organisational benefits are asked, explain how each benefit improves the employer's performance.

22(a). Distinguish between 'Capital Market' and 'Money Market' on the basis of :

(i) Participants

(ii) Investment Outlay

(iii) Expected Return [3 marks]

Solution:

Concept:

- The capital market deals in medium-term and long-term funds through securities such as shares and debentures. The money market deals in short-term funds, with instruments generally having a maturity of up to one year.
- Participants, the minimum investment outlay and the expected return differ because the two markets meet different financing and investment needs.

Step 1: Compare the three specified bases

Basis	Capital Market	Money Market
Participants	Financial institutions, banks, corporate entities, foreign investors and retail investors, including individual members of the public, participate.	The main participants are the RBI, banks, financial institutions and finance companies; large companies also participate.
Investment outlay	Investment need not involve a huge outlay. The value of individual units of securities is relatively low, allowing small investors to participate.	A large outlay is generally required because transactions typically take place in large amounts.
Expected return	The expected return is generally higher, with the possibility of capital gains as well as dividend or interest income.	The expected return is generally lower because funds are invested for shorter periods in comparatively safer instruments.

Step 2: Relate the differences to the nature of the markets Capital-market securities can be purchased in small units and held for a longer period, so this market serves both institutional and individual investors. Money-market dealings are mainly wholesale transactions for short-term liquidity man-

agement. Their shorter duration and comparatively low risk explain their generally lower expected return; a higher capital-market return is an expectation, not a guarantee.

Step 3: Conclusion The capital market has wider participation, permits relatively small investment outlays and generally offers higher expected returns. The money market is mainly institutional, requires large outlays and generally offers lower expected returns.

Quick Tip to Solve: For this comparison remember: capital market includes small retail investors; money market mainly handles large, short-term institutional transactions.

OR

22(b). Explain the following as factors affecting Long-Term Investment decision :

(i) Cash flows of the project and

(ii) The investment criteria involved [3 marks]

Solution:

Concept:

- A long-term investment or capital budgeting decision commits funds to assets or projects whose benefits extend over several years. Such decisions involve large funds, long-term consequences and risk.
- A project must be evaluated through its expected cash flows and suitable investment appraisal criteria, rather than merely its size or its accounting profit.

Step 1: Explain cash flows of the project **Cash flows of the project:** A series of cash receipts and cash payments is expected over the life of an investment. The business should carefully analyse the amount and timing of these cash flows before choosing a project. It must compare the initial cash outlay with the cash that the project is expected to generate in later years. Other things remaining the same, a project offering larger and earlier net cash inflows is more attractive because it contributes more funds and recovers the investment sooner. The decision therefore rests on expected cash flows, not just the project's reported profit.

Step 2: Explain the investment criteria involved **The investment criteria involved:** Each proposed investment must be judged by appropriate capital budgeting techniques. These techniques evaluate the investment required, the interest rate or cost of funds, the expected cash flows and the rate of return. Their application helps the business determine whether a project is financially worthwhile and compare it with competing proposals. For example, an appraisal may examine the period needed to recover the initial outlay or compare the present value of future inflows with that outlay. The project that best satisfies the firm's chosen investment criteria is preferred, subject to its financing and risk constraints.

Step 3: Conclusion Long-term investment decisions require careful assessment of the amount and timing of a project's cash flows and the application of investment criteria that evaluate its cost, return and financial viability.

Quick Tip to Solve: Keep the two factors distinct: cash flows describe the project's expected money movements; investment criteria are the techniques used to evaluate those movements.

23(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 achieved and how; it sets the objectives and standards against which actual performance is assessed.
- Controlling measures actual performance, compares it with these standards and takes corrective action. The two functions depend on each other in a continuous management cycle.

Step 1: Explain how planning gives controlling its standards **Planning is a prerequisite for controlling:** Plans specify the results expected from an activity. These become the standards used to judge actual performance. Without such standards, a manager cannot determine whether performance is satisfactory or identify a deviation. Thus, controlling without planning is meaningless.

Step 2: Explain how controlling makes plans effective **Controlling is necessary for successful planning:** Making a plan alone does not ensure that it is implemented. Controlling checks whether activities follow the plan, finds departures and helps managers take corrective action. In this way it ensures that the intended objectives are pursued. Planning without controlling therefore has little practical value.

Step 3: Show how control feeds the next plan **They form an interdependent cycle:** Controlling reveals the causes of deviations and provides information for future planning. Managers use this feedback to revise unrealistic standards or improve future courses of action. Planning starts the management process and controlling completes a cycle that becomes the basis of a new plan.

Step 4: Conclusion Planning provides the standards, controlling ensures that action follows those standards, and feedback from control improves future plans. Their mutual dependence makes them inseparable twins of management.

Quick Tip to Solve: Remember the cycle: plans set standards, control checks results, and the findings improve the next plan.

OR

23(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 predetermined standards before deciding on corrective action.
- Critical point control selects the important areas to monitor, whereas management by exception selects the significant deviations that require management's attention.

Step 1: Explain critical point control **Focus on key result areas:** It is neither economical nor easy to

check every activity with the same intensity. Critical point control therefore concentrates on key result areas that are critical to organisational success. Standards and performance in these areas receive priority because a failure there can seriously affect overall results. For example, in a manufacturing concern, a rise in material cost may be more important to investigate than a small rise in postage expense. This allows limited control resources to be used where they matter most.

Step 2: Explain management by exception **Focus on significant deviations:** This principle states that an attempt to control everything may end up controlling nothing. Managers establish an acceptable range of deviation and bring only deviations beyond that range to their attention. Routine variations within the permitted limits can be handled at the appropriate operating level. For example, if a manager permits a five per cent variation in costs, a variation beyond that limit calls for investigation and corrective action. The limit is set according to the organisation's needs; it is not the same for every activity.

Step 3: Conclusion Critical point control directs attention to the most important areas of performance. Management by exception directs attention to deviations that exceed acceptable limits. Both make the analysis of deviations more focused and economical.

Quick Tip to Solve: Separate the two questions: critical point control asks which areas matter, while management by exception asks which deviations are large enough to act on.

24. 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:

- Management is an art because it involves the skilful and personal application of existing knowledge to achieve desired results in a particular situation.
- Two features of an art illustrated by the case are personalised application and practice and creativity. Different individuals can use common knowledge in different ways to achieve results.

Step 1: Identify and state the nature of management **(a) Management as an art:** The three friends apply their acquired knowledge and skill to educate slum dwellers. An art means the skilful and

personal application of knowledge to achieve desired results. Their common educational goal is pursued through methods suited to their own abilities, rather than through one mechanically identical method.

Step 2: Link personalised application to the case **(b) Personalised application:** An art is applied according to the individual's knowledge, judgement, skill and experience, so its application varies from person to person. 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 for the same broad purpose illustrate each friend's personal style of applying knowledge.

Step 3: Link practice and creativity to the case **Practice and creativity:** An art involves creatively applying existing knowledge to practical situations to produce results. The relevant line is: "They used basic knowledge in their unique manner and were able to educate the slum dwellers." The friends do not merely possess knowledge; they adapt and use it creatively in the practical task of teaching. Their success shows knowledge being transformed into effective action.

Step 4: Conclusion The case illustrates management as an art. Its features of personalised application and practice and creativity are reflected in the friends' distinct teaching methods and their unique use of basic knowledge to educate slum dwellers.

Quick Tip to Solve: For an art-based case, identify the common knowledge first, then quote how each person applies it personally or creatively to get results.

25(a). State any four points that highlight the importance of directing function of management.

[4 marks]

Solution:

Concept:

- Directing is the managerial function of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives. It turns decisions and plans into actual performance through people.
- Its importance lies in initiating action, integrating employees' efforts, motivating employees and facilitating necessary changes. Each point explains how managers secure purposeful action rather than merely prepare plans.

Step 1: Explain how directing initiates action **Initiates action:** Planning, organising and staffing prepare the conditions for work, but directing starts actual execution. A manager issues instructions and guides subordinates about what to do and how to do it. Employees can therefore begin the assigned activities and work towards the organisation's objectives.

Step 2: Show how directing integrates employee efforts **Integrates employees' efforts:** Different employees perform different jobs and may approach work from their individual viewpoints. Through guidance and leadership, a manager links these efforts so that each person's work contributes to the common objective. This helps the organisation obtain the benefit of collective effort and prevents activities from pulling in conflicting directions.

Step 3: Explain the motivational contribution **Means of motivation:** Directing helps a manager

identify employees' needs and use suitable financial and non-financial incentives to satisfy them. Encouragement, recognition and leadership inspire employees to put in their best efforts. It helps them use their capabilities fully instead of working only at the minimum level required.

Step 4: Describe how directing facilitates change **Facilitates introduction of changes:** Employees may resist a new technology, work method or other organisational change because of uncertainty or fear. Effective communication, motivation and leadership explain the need for change, clear doubts and secure employees' cooperation. Directing thus helps the organisation introduce required changes smoothly.

Step 5: Conclusion Four points highlighting the importance of directing are that it initiates action, integrates employees' efforts, provides motivation and facilitates the introduction of changes. Together, these enable people to carry out plans effectively towards organisational goals.

Quick Tip to Solve: Link each point to its effect on people: start work, unite effort, inspire performance and secure acceptance of change. State the heading and then explain how it helps achieve objectives.

OR

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

(i) Badly Expressed message

(ii) Symbols with different meanings [4 marks]

Solution:

Concept:

- Semantic barriers arise from problems in the meaning and interpretation of the words and symbols used in communication. The receiver may understand a message differently from what the sender intended.
- Communication is effective when the receiver correctly decodes the intended meaning. A badly expressed message and symbols with different meanings can obstruct this understanding even when the message reaches the receiver.

Step 1: Explain a badly expressed message **(i) Badly expressed message:** Sometimes a manager intends to convey an idea but does not express it clearly. The message may use inadequate vocabulary, incorrect words, omit needed words, contain an unclear arrangement of ideas or use sentences whose structure obscures the intended meaning. The receiver then finds it difficult to understand exactly what action is required. For example, an instruction such as "Send the report soon" gives no definite deadline. One employee may interpret it as today and another as later in the week. The problem lies in the unclear expression of the message, which causes misunderstanding about the sender's intention.

Step 2: Explain symbols with different meanings **(ii) Symbols with different meanings:** The same word or symbol can have different meanings, and the receiver may choose a meaning different from the one intended by the sender. For example, the word "value" may refer to the price of a product, its usefulness or an ethical belief, depending on the context. If the sender and receiver attach different

meanings to it, the receiver decodes the message incorrectly. This semantic barrier arises because the symbol used is open to more than one interpretation, especially when the context is not made clear.

Step 3: Conclusion A badly expressed message prevents understanding because its wording or construction is unclear. Symbols with different meanings create misunderstanding because the sender and receiver attach different meanings to the same word or symbol. Both are semantic barriers because they interfere with the intended meaning of a message.

Quick Tip to Solve: Distinguish unclear expression from different interpretation: in the first, the message is poorly worded; in the second, the same symbol is understood in different senses. Use a short example to make each explanation clear.

---

26. 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 requires consumers to act responsibly: they should read product labels carefully and seek redressal when a genuine grievance arises.
- A consumer forum can order appropriate remedies for defective goods or unfair trade practices. An offer of a gift does not remove the consumer's grievance about a short-weight packet.

Step 1: Identify the responsibility relating to product information **(a) Read labels carefully:** A consumer should examine the label for information such as net weight, price, manufacturing date and expiry date. Nishi checked the quantity stated on the packet and compared it with the actual quantity. The case says that the packet "weighed 60 grams whereas the label ... mentioned ... 100 grams". This shows that she used the label's net-weight information to detect the short supply rather than accepting the packet without checking it.

Step 2: Identify the responsibility relating to redressal **File a complaint in an appropriate consumer forum for a genuine shortcoming:** Consumers should seek redressal even when the financial loss is small. Nishi "refused to accept the gift hamper and took the issue to a redressal agency". She therefore pursued a genuine complaint about the quantity supplied instead of accepting an inducement to remain silent. Her approach to the manufacturer first also gave the business an opportunity to address the grievance.

Step 3: State two remedies the consumer forum may order **(b) Replacement:** The forum may direct

the manufacturer to replace the deficient packet with a new packet free from the defect, supplying the full quantity stated on its label. This directly corrects the short-weight supply complained of.

Refund: Alternatively, the forum may order refund of the price paid for the packet. This restores the money spent on goods that did not conform to their declared quantity. These are two available reliefs; the forum decides the appropriate order on the facts established before it.

Step 4: Conclusion Nishi discharged the responsibilities of reading the label carefully and filing a genuine complaint before an appropriate redressal agency. Two reliefs available are replacement with a packet of the correct declared quantity and refund of the purchase price.

Quick Tip to Solve: Separate what the consumer must do from what the forum can order: checking the label and complaining are responsibilities; replacement and refund are reliefs.

27. **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:

- Capital structure is the mix of owners' funds and borrowed funds used to finance a business. Choosing this mix involves more than simply estimating the amount of capital required.
- Stock-market conditions, control, floatation costs and the regulatory framework influence whether a company should issue equity shares or raise debt.

Step 1: Relate the bullish market to stock-market conditions **Stock-market conditions:** The relevant line is that funds should be raised through a public issue of shares "as the stock market was bullish". During a rising or bullish share market, investors are more willing to invest in equity, so companies can generally obtain a favourable response to a share issue. In a depressed market, a public equity issue may be difficult and debt may be preferable.

Step 2: Relate the reduced holding to control **Control:** The CEO recognised that an issue of shares would "reduce the managements' holding in the company". New equity shares bring voting rights to new shareholders and can dilute the existing shareholders' proportionate ownership and control. Debt does not ordinarily confer voting rights on lenders. Here the CEO accepted the dilution associated with the equity issue.

Step 3: Relate the expenditure to floatation costs **Floatation costs:** The case states that the process would "require considerable expenditure". Raising funds involves issue expenses such as prospectus preparation, brokerage and underwriting charges. Issuing equity shares generally entails higher issue

costs than obtaining a loan. These costs influence the financing mix and differ from the continuing interest cost of debt.

Step 4: Relate compliance to the regulatory framework **Regulatory framework:** The public issue was made "complying with the guidelines of Securities and Exchange Board of India". Companies must comply with the applicable legal and regulatory requirements when raising funds. A public share issue has regulatory requirements to protect investors. These conditions influence the choice and manner of financing, even if the source otherwise appears attractive.

Step 5: Conclusion The four factors discussed are stock-market conditions, control, floatation costs and the regulatory framework. They are indicated respectively by the bullish market, dilution of management's holding, considerable issue expenditure and compliance with SEBI guidelines.

Quick Tip to Solve: Match each case clue to its financing factor: bullish market to market conditions, reduced holding to control, issue expenditure to floatation costs, and SEBI rules to the regulatory framework.

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

(a) Production cycle

(b) Seasonal factors [4 marks]

Solution:

Concept:

- Working capital is the amount needed to finance day-to-day operations, including stocks of materials and finished goods, work-in-progress and debtors. These current assets keep funds tied up until the operating cycle releases cash.
- The length of the production cycle and seasonal changes in the scale of operations affect how much money must remain invested in current assets. Their effect should be explained in terms of the amount and duration of funds blocked.

Step 1: Explain the effect of the production cycle **(a) Production cycle:** The production cycle is the time span between the receipt of raw materials and their conversion into finished goods. During this period, funds are blocked in raw materials, work-in-progress and production expenses.

A company with a **longer production cycle requires more working capital**, other things remaining the same, because it has to finance inputs and operations for a longer period before finished output becomes available for sale. A company with a shorter production cycle has less money tied up in processing and therefore needs relatively less working capital. For example, a lengthy manufacturing process locks funds in work-in-progress for longer than a process completed quickly.

Step 2: Explain the effect of seasonal factors **(b) Seasonal factors:** Some businesses face seasonal variations in demand. During the **peak season**, the level of activity is higher. A company needs larger stocks of raw materials and finished goods, and more funds to meet the increased operating expenses and credit sales. Its working capital requirement therefore rises.

During the **lean season**, the level of activity is lower. Less inventory and fewer operating outlays are needed, so the working capital requirement is reduced. Thus, a seasonal company must arrange sufficient working capital for its peak requirement rather than assume that its cash needs remain

uniform throughout the year.

Step 3: Conclusion A longer production cycle increases working capital by keeping funds blocked for longer. Seasonal factors increase working capital needs in the peak season and reduce them in the lean season because the scale of operations changes.

Quick Tip to Solve: Link each factor to funds blocked: production cycle changes the time for which money is tied up, while seasonality changes the level of stock and operating activity.

29. '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 and social needs. Job security and employee recognition satisfy different needs without an additional cash payment.
- Maslow's Need Hierarchy distinguishes safety or security needs, which include stability and protection against loss of employment or income, from esteem needs, which include recognition, respect and appreciation of achievement.

Step 1: Identify and explain the incentive for Arvind and Yogesh **(a) Job security:** The case says that Arvind and Yogesh, who were "working on contract basis, were absorbed permanently in the company". It also says they were happy because "there was stability about their future income". The company has therefore provided the non-financial incentive of **job security**.

Job security gives employees continuity and stability in employment. Reduced fear of losing their jobs and future income helps them concentrate on their work and increases their commitment to the organisation.

Step 2: Identify and explain the incentive for Ekta **(a) Employee recognition programme:** Ekta "was awarded the 'Best Employee of the year Award'". This recognises and appreciates her contribution as Research and Development Head. A recognition programme acknowledges good performance through awards, praise or appreciation, making employees feel valued and motivating them to maintain performance. The award recognises her work; it is not a promotion.

Step 3: Match each incentive with the need it satisfies **(b) Safety or security needs:** The permanent employment given to Arvind and Yogesh meets their safety or security needs. Their stated concern is

stability of future income, so the relevant need is economic and employment security.

(b) Esteem needs: The award given to Ekta meets her esteem needs. Recognition for achievement provides appreciation, respect and a sense of worth; these are esteem needs.

Step 4: Conclusion Shanta Enterprises provides **job security** to Arvind and Yogesh, satisfying their **safety or security needs**, and an **employee recognition programme** for Ekta, satisfying her **esteem needs**.

Quick Tip to Solve: Use the exact case clues: permanent employment and stable future income indicate security; a best-employee award indicates recognition and esteem.

30(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 applicants the person best suited to a particular job. The organisation compares the requirements of the job with the abilities and qualities of the candidates.
- Selection tests and employment interviews provide different kinds of information about a candidate. Tests measure specified characteristics, whereas an interview permits a direct, detailed exchange between the candidate and the employer.

Step 1: Explain selection tests **Selection tests:** These are devices used to measure particular characteristics of individuals, ranging from physical abilities to intelligence and personality. They help the employer assess whether an applicant possesses the qualities required to perform the job successfully. For example, an intelligence test measures learning ability and capacity for judgement; an aptitude test measures the potential to acquire new skills; and a trade test measures existing job-related knowledge and proficiency. Personality tests provide clues about qualities such as emotional balance and maturity. The choice of test must therefore relate to the demands of the particular job, rather than merely compare candidates on an unrelated ability.

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 asks questions about the candidate's qualifications, experience and other relevant qualities and seeks explanations or clarification of the information already supplied. It also allows the candidate to obtain information about the organisation and the job. Thus, although the interviewer normally leads the discussion, the interview is a two-way exchange. Its purpose is to assess the fit between the applicant and the position, rather than simply repeat the scores obtained in selection tests.

Step 3: Conclusion Selection tests measure relevant abilities and characteristics in a systematic manner, while the employment interview uses a direct, in-depth conversation to assess suitability and clarify information. Together, they help the organisation choose an appropriate candidate.

Quick Tip to Solve: Link tests with the measurement of specific characteristics and interviews with a formal, two-way conversation about suitability for the job.

OR

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

Solution:

Concept:

- Staffing is the managerial function of obtaining, using and maintaining a competent and satisfied workforce. It includes identifying manpower needs, recruitment, selection, placement, training, development and related personnel activities.
- An organisation needs people who can carry out its plans and use its other resources effectively. The importance of staffing therefore lies in matching people with jobs and maintaining their ability to perform as organisational needs change.

Step 1: State the benefits of finding and placing suitable people

- **Obtaining competent personnel:** Staffing helps in discovering and obtaining competent people for different jobs. Recruitment attracts suitable applicants and selection identifies those whose abilities meet the requirements of the positions. This gives the organisation the human resources needed to carry out its activities effectively.
- **Higher performance:** By putting the right person in the right job, staffing helps secure better performance. A person whose qualifications and abilities match the work can handle its responsibilities more effectively. Appropriate training further improves the skills required for the assigned work.

Step 2: State the benefits of developing and using the workforce

- **Continuous survival and growth:** Staffing ensures the continuous survival and growth of the enterprise through succession planning for managers. Developing employees prepares capable people to assume greater responsibilities when existing managers retire, leave or move to other positions. The organisation can therefore maintain continuity of management.
- **Optimum utilisation of human resources:** Systematic manpower planning and proper placement help avoid overstaffing and understaffing. Staffing matches the number and type of employees with the work to be done, reducing waste and enabling the available workforce to be used effectively. It also helps prevent the underutilisation of employees' skills.

Step 3: Conclusion Staffing is important because it obtains competent personnel, improves performance through a proper person-job match, supports survival and growth through succession planning, and ensures optimum utilisation of human resources.

Quick Tip to Solve: Organise the importance of staffing around obtaining people, matching them with jobs, preparing successors and using the workforce effectively.

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

(i) Objectives

(ii) Policy

(iii) Programme [6 marks]

Solution:

Concept:

- A plan specifies a future course of action. Different types of plans perform different roles: objectives specify the ends, policies guide decisions, and programmes coordinate activities for implementing a project.
- These plans should be consistent with one another. The objective gives direction, a policy supplies a broad framework for choice, and a programme brings together the tasks and resources needed for action.

Step 1: Explain objectives as the desired ends **(i) Objectives:** Objectives are the ends towards which the activities of an organisation are directed. They express what the organisation seeks to achieve and provide the starting point for managerial planning. They guide employees' efforts and also provide standards against which actual performance can be assessed. Objectives may be set for the organisation as a whole and then translated into departmental and individual objectives. They should be clear and, wherever possible, measurable and time-bound so that people know the result expected of them. For example, an organisation may aim to increase its sales by ten per cent in the next financial year. Its marketing and production plans must then support that desired result.

Step 2: Explain policy as a general decision guide **(ii) Policy:** A policy is a general statement or understanding which guides thinking and channels managerial decision-making towards the achievement of objectives. It establishes the broad boundaries within which a manager exercises discretion. It promotes consistency in recurring decisions while allowing judgement to suit a particular situation. Policies are usually based on the organisation's objectives. For example, a policy of filling senior vacancies through internal promotion guides staffing decisions and encourages employee development. It does not prescribe every action in a fixed sequence, as a procedure would, nor does it completely remove discretion, as a strict rule may do.

Step 3: Explain programme as a coordinated project plan **(iii) Programme:** A programme is a detailed statement about a project which outlines the objectives, policies, procedures, rules and tasks, together with the human and physical resources required and the budget needed to implement a course of action. It is a comprehensive plan that brings the different elements of action together. It specifies the activities to be undertaken, who will perform them and how they are to be coordinated. A programme for launching a new product, for example, can combine product development, employee training, advertising, distribution arrangements and expenditure estimates. By connecting responsibilities, resources and tasks, it helps managers implement the project systematically rather than leaving each activity to be planned in isolation.

Step 4: Conclusion Objectives state the results to be achieved, policy provides broad guidance for making decisions, and a programme integrates the detailed tasks and resources needed to carry out a project. All three are types of plans that support purposeful and coordinated organisational action.

Quick Tip to Solve: Remember the sequence: objectives specify the end, policy guides the choice, and a programme combines the activities and resources for implementation.

OR

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

(i) Planning reduces creativity.

(ii) Planning involves huge costs.

(iii) Planning does not guarantee success. [6 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and how it is to be done. It gives direction and reduces uncertainty, but it has limitations arising from the way plans are prepared and from the changing business environment.
- A plan is a means of improving managerial action, not an automatic assurance of results. Managers must balance its expected benefits against its costs and keep employees' ideas and changing circumstances in view.

Step 1: Explain how planning can reduce creativity **(i) Planning reduces creativity:** In many organisations, planning is undertaken mainly by top management, while the other levels are expected to implement the plans. Employees may therefore have to work according to predetermined courses of action rather than develop their own ideas. This can restrict initiative and discourage original thinking. Once a plan has been laid down, employees may not be permitted to deviate from it, even when they have useful suggestions about how the work could be done better. Much of the thinking then remains concentrated at the top instead of being encouraged throughout the organisation. Thus, although plans provide guidance, rigid reliance on them can make the work of employees mechanical and reduce opportunities to exercise creativity.

Step 2: Explain the costs of preparing plans **(ii) Planning involves huge costs:** Preparing reliable plans requires the collection and analysis of information, forecasting future conditions, examining alternatives and sometimes obtaining expert advice. Scientific calculations, studies and investigations require money, time and effort. Managers may spend considerable resources simply determining the best course of action. These expenditure and effort do not themselves ensure that the plan will be implemented successfully or produce an adequate return. Therefore, the benefits expected from planning should justify the costs incurred. If the cost of preparing a plan exceeds the benefit expected from it, the planning exercise becomes an expensive burden rather than an economical aid to management.

Step 3: Explain why plans cannot guarantee success **(iii) Planning does not guarantee success:** The success of an enterprise depends on the proper formulation of plans as well as their effective implementation. Managers may rely on a plan that worked successfully in the past and assume that repeating it will produce the same result. Such complacency can cause them to neglect changing conditions and the need for fresh thinking. Business circumstances do not remain identical from one period to another. A plan must be translated into suitable action, monitored and adapted where necessary. A successful plan from the past therefore cannot be treated as a ready-made answer for every future situation. Having a plan on paper is insufficient unless it is put into action effectively and remains relevant to the circumstances in which the business operates.

Step 4: Conclusion Planning may restrict employees' creativity, require substantial expenditure and encourage excessive reliance on past success. It remains useful, but managers must involve people appropriately, ensure that its benefits justify its costs and implement plans effectively in the light of current conditions.

Quick Tip to Solve: Link each limitation to its cause: decisions concentrated at the top restrict ideas, research and expert advice create costs, and blind repetition of old plans cannot ensure future success.

---

32. 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 point of importance of the concept identified in (a) above. [6 marks]

Solution:

Concept:

- Delegation is the downward transfer of authority from a superior to a subordinate to enable the subordinate to perform assigned tasks. It involves assigning responsibility, granting adequate authority and creating accountability.
- Delegation allows a manager to concentrate on important activities while subordinates exercise initiative within prescribed limits. The superior remains ultimately accountable for the work delegated.

Step 1: Identify the concept from the grant of authority The concept is **delegation**. Preeti hired Rahul and Riya for filming, editing, lighting and content research and "granted authority to them to operate within prescribed limits." This is the decisive clue: she assigned work and gave them the power to carry it out, thereby freeing herself for objectives and targets. Five points explaining its importance are given below.

Step 2: Explain effective management **Effective management:** By delegating routine work, a manager obtains more time for important activities and can concentrate on areas requiring personal attention. The case states that Preeti could use her time on "high priority activities like developing new recipes and content development." Thus, sharing operational work enabled her to manage her channel more effectively and focus on its objectives.

Step 3: Explain employee development **Employee development:** Delegation gives employees practical opportunities to use their knowledge, take decisions, exercise judgement and develop managerial skills. The case expressly says that Rahul and Riya were "given opportunities to develop and exercise initiative." Handling their assigned activities within limits develops their capabilities and prepares them for greater responsibilities in future.

Step 4: Explain employee motivation **Motivation of employees:** Entrusting meaningful responsibility and authority shows confidence in subordinates and recognises their abilities. It gives them a sense of achievement and encourages commitment and initiative. The opportunity given to Rahul and Riya to "develop and exercise initiative" illustrates the autonomy through which delegation can build motivation; the point does not depend on a monetary reward.

Step 5: Explain facilitation of growth **Facilitation of growth:** Delegation develops a pool of trained and experienced employees who can take up larger duties when the organisation expands. Existing managers can then concentrate on new activities instead of personally performing every task. In the case, Preeti could "focus on objectives and meet the target of achieving a subscriber base of one million in six months." Delegation therefore supports expansion by increasing the organisation's capacity to manage work.

Step 6: Explain the basis of the management hierarchy **Basis of management hierarchy:** Delegation establishes superior-subordinate relationships by specifying who assigns work, who has authority to perform it and who must report results. It helps define the degree of authority at different levels and the reporting relationships between them. Here, Preeti "granted authority to them to operate within prescribed limits," establishing her relationship with Rahul and Riya and clarifying the boundaries of their authority. This is a foundation for an orderly hierarchy as the organisation grows.

Step 7: Conclusion Preeti used **delegation**. Its importance includes effective management, employee development, employee motivation, facilitation of growth and the creation of the management hierarchy. These benefits allow a superior to focus on important objectives while subordinates carry out entrusted work within their authority.

Quick Tip to Solve: In a case, look for assigned work plus authority within limits to identify delegation. For its importance, explain how each benefit follows from giving subordinates responsibility and the power to act.

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

(i) Gathering and Analysing Market Information

(ii) Standardisation and Grading

(iii) Consumer Support Services [6 marks]

Solution:

Concept:

- Marketing includes identifying consumer needs, developing suitable products and performing the activities needed to satisfy customers profitably. Its functions extend beyond selling the finished product.
- Market information guides decisions, standardisation and grading establish and classify product quality, and consumer support services help customers obtain satisfaction from their purchases.

Step 1: Explain gathering and analysing market information **(i) Gathering and analysing market information:** A marketer collects relevant information about consumers' needs, preferences, purchasing power and buying habits, as well as competitors and changes in the market. The information is

analysed to identify market opportunities, threats and problems. For example, research may show that buyers require convenient packaging or a less expensive product. The analysis helps the firm decide what to produce, which customers to serve, what price to charge and how to promote and distribute its product. Thus, the function provides a factual basis for marketing decisions and reduces reliance on guesswork.

Step 2: Explain standardisation and grading **(ii) Standardisation and grading:** Standardisation means producing goods according to predetermined specifications, such as quality, size, weight, design or performance. It ensures uniformity and consistency, so buyers know what to expect and do not need to examine every unit separately. Grading means classifying products into different groups on the basis of important characteristics such as quality, size or shape. It is particularly useful for agricultural and other products whose quality cannot be made completely uniform. For example, fruit can be separated into grades by size and quality. The grades help customers compare alternatives and enable different prices to be charged for different quality categories. Standardisation sets the specifications; grading sorts products according to their characteristics.

Step 3: Explain consumer support services **(iii) Consumer support services:** These are services provided to help customers buy, use and maintain a product satisfactorily. They include handling complaints, after-sales service, maintenance, technical assistance and the provision of credit facilities where appropriate. For example, a firm may arrange repairs and promptly resolve a customer's complaint about a defective appliance. Such assistance improves the customer's experience and reduces difficulties after purchase. By providing dependable support, the marketer increases customer satisfaction, encourages repeat purchases and develops brand loyalty. These services can also help the firm compete when rival products have similar physical features.

Step 4: Conclusion Gathering and analysing market information identifies customer needs and guides marketing decisions. Standardisation ensures consistent specifications, while grading classifies products by characteristics. Consumer support services assist buyers and sustain satisfaction, repeat business and brand loyalty.

Quick Tip to Solve: Keep standardisation and grading distinct: the first sets uniform specifications, while the second sorts goods into categories. For support services, name examples and explain their effect on customer satisfaction.

OR

33(b). Explain the components of Physical distribution. [6 marks]

Solution:

Concept:

- Physical distribution concerns the physical movement of finished goods from the producer to the consumer. Its purpose is to make the right goods available at the right place and time, in the required quantity and condition.
- Its four major components are order processing, transportation, warehousing and inventory control. These activities must be coordinated because a delay or failure in one affects the service provided

by the entire distribution system.

Step 1: Explain order processing and transportation **1. Order processing:** The distribution process begins when a customer places an order. The firm checks the order, verifies the availability of goods and arranges the documents, packing and dispatch required to fulfil it. Orders must be processed quickly and accurately. An incorrect or delayed order can send the wrong quantity or product to the customer and cause loss of business; a reliable order-processing system improves customer satisfaction.

2. Transportation: Transportation physically moves goods from the place of production to the place where they are required for consumption. It creates place utility and connects producers, warehouses, intermediaries and buyers. A firm chooses a suitable mode of transport by considering cost, speed, reliability and the nature of the goods. For instance, perishable products require timely movement; lower freight alone is not useful if goods arrive damaged or too late.

Step 2: Explain warehousing and inventory control **3. Warehousing:** Warehousing stores and protects goods until they are sold or required by customers. Production and consumption do not always occur at the same time, so storage bridges this time gap and creates time utility. Firms decide how many warehouses to maintain and where to locate them. Warehouses closer to customers can speed up delivery, although maintaining additional storage locations increases costs. Proper storage also protects goods against deterioration and damage.

4. Inventory control: Inventory control determines the quantity of stock to maintain and when to replenish it. Adequate stocks allow the business to meet orders promptly and avoid lost sales. Excessive stock, however, ties up funds and raises storage, insurance and deterioration costs; very low stock creates a risk of shortages. The firm therefore balances customer service with the cost of holding stock, considering expected demand, delivery lead time and the reliability of supplies.

Step 3: Conclusion The components of physical distribution are **order processing, transportation, warehousing and inventory control**. Together, they enable accurate order fulfilment and timely delivery while keeping the total cost of distribution under control.

Quick Tip to Solve: Follow the goods from an order to delivery: process the order, transport the goods, store them when needed and control the stock available for the next order.

34. 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 applies systematic study to work and employee development to improve efficiency. Its principles express the underlying approach, while its techniques provide specific methods for implementing that approach.
- The case illustrates the principle of development of each and every person to his or her greatest efficiency and prosperity, and the techniques of standardisation of work and method study.

Step 1: Identify and explain the principle illustrated by training **Development of each and every person to his or her greatest efficiency and prosperity:** Taylor held that employees should be selected scientifically according to the requirements of the job, assigned work suited to their capabilities and trained in the best method of performing it. Management should develop their skills so that they can work to their full potential. Greater employee efficiency increases productivity and creates scope for higher earnings, bringing prosperity to both employees and the enterprise.

The case states that Coffee Bean "regularly invests in training and development programmes to equip employees with the necessary skill and knowledge". It also says that efficient employees will "produce more and earn more". These statements directly connect employee development with greater efficiency and mutual prosperity, identifying the principle.

Step 2: Explain standardisation of work with evidence **Technique 1 – Standardisation of work:** Standardisation means establishing standards for business activities, including the product, materials, processes, methods, machinery and working conditions. These standards serve as benchmarks during production. They help maintain consistent quality, reduce unnecessary variation and improve the efficient use of resources. Standardisation can establish the size, type and performance characteristics of products and materials, while providing standards of excellence and workmanship.

Coffee Bean uses "standardised raw materials, processes, methods, working conditions, machinery etc." with the objective of establishing "standards of excellence". This is the direct evidence for

standardisation. The case links this practice to reduced cost while maintaining the quality expected by customers.

Step 3: Explain method study with evidence **Technique 2 – Method study:** Method study finds the best way of performing a job. Management examines alternative methods, including the sequence of operations and the use of resources, and selects the method that completes the task most efficiently at minimum cost. Once established, this method guides employees and helps avoid wasteful practices. Its focus is on *how* the work should be done, rather than simply on how long it takes.

Ankur believes that there is "only one best method to maximise efficiency" and develops the best way of "grilling burgers, cooking fries and preparing shakes". These words specifically identify method study. Applying the best method helps the restaurant use resources efficiently while serving customers consistently and improving their satisfaction.

Step 4: Conclusion The 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**: Coffee Bean trains employees, establishes operational standards and develops the best way of preparing its products.

Quick Tip to Solve: Match each clue to its focus: training and prosperity identify employee development; uniform standards identify standardisation; finding the best way of doing a job identifies method study.