CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/4/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question paper contains **34** questions. **All** questions are **compulsory**.
(ii) Marks are indicated against each question.
(iii) Answers should be brief and to the point.
(iv) Answers to 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. 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:

- Dividend decision concerns the portion of earnings distributed to shareholders and the portion retained for investment.
- The amount of current and accumulated past earnings determines the funds available for declaring dividends.

Step 1: Evaluate the assertion The assertion is true. The amount of earnings is a major determinant of dividend decisions because a company must have sufficient distributable profits before it can decide how much to pay its shareholders.

Step 2: Evaluate the reason The reason is also true: dividends are paid out of current and past earnings. These earnings form the source from which the distribution is made, rather than being unrelated to it.

Step 3: Check the explanatory link Because earnings provide the source of dividend payments, their amount directly affects the dividend that can be declared. Thus R explains A. Option B wrongly denies this link; C wrongly calls the reason false; D wrongly calls the assertion false.

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

Quick Tip to Solve: For an assertion-reason item, test the two statements separately and then ask whether the reason explains the assertion.

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

(A) Operational level management is responsible for implementing and controlling plans and strategies developed by top management.

(B) At middle level management, managers interpret the policies framed by top management.

(C) At operational level management with the efforts of supervisors wastage of materials is minimised.

(D) At top level management, managers are responsible for the welfare and survival of the organisation.

Correct Answer: (A) Operational level management is responsible for implementing and controlling plans and strategies developed by top management.

Solution:

Concept:

- Middle management links top management with supervisory management by implementing and controlling the plans and strategies developed by top management.
- Operational or supervisory management oversees workers and ensures efficient day-to-day use of resources.

Step 1: Locate the wrongly assigned responsibility Option A assigns responsibility for implementing and controlling the plans and strategies of top management to the operational level. In the NCERT classification this is a responsibility of middle-level management. Therefore A is the incorrect statement sought.

Step 2: Check the remaining statements B is correct because middle managers interpret top-management policies. C is correct because supervisors minimise wastage through their direct oversight of workers and production. D is correct because top management is responsible for the welfare and survival of the organisation. None of B, C or D is the incorrect statement.

Step 3: Conclusion Option A incorrectly assigns a middle-management duty to the operational level. Hence, the correct option is (A).

Quick Tip to Solve: Underline "incorrect" first, then distinguish middle managers who implement policies from supervisors who oversee workers.

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

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

(A) Identification and division of work

(B) Departmentalisation

(C) Assignment of duties

(D) Establishing authority and reporting relationship

Correct Answer: (D) Establishing authority and reporting relationship

Solution:

Concept:

- Organising involves identifying and dividing work, departmentalisation, assigning duties, and establishing authority and reporting relationships.
- The final step clarifies who reports to whom, who may give orders, and who is accountable to each superior.

Step 1: Identify the decisive words The statement says each person should know "who he has to take orders from and to whom he is accountable". These words describe a superior-subordinate relationship and the line of reporting, rather than simply the allocation of work.

Step 2: Eliminate the earlier steps Identification and division of work separates the total work into activities, so A is unsuitable. Departmentalisation groups similar activities, so B is unsuitable. Assignment of duties allocates jobs, so C stops at the step the statement says is insufficient. Establishing authority and reporting relationship supplies the needed clarity.

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

Quick Tip to Solve: When a question asks who takes orders from whom, look for authority and reporting relationships.

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 is expansion of business activities and can be measured through sales volume, the number of products, and capital investment.

Step 1: Connect the case to the objective The company wants to "increase its sales volume, the number of products and capital investment". Each expression points to expansion in the scale and scope of the business. These are the measures of growth mentioned in the case.

Step 2: Distinguish the alternatives Survival means remaining in existence and meeting costs; the case goes beyond that. Profit concerns earning a surplus over costs, whereas the stated measures concern expansion. Corporate social responsibility concerns obligations towards society and stakeholders; no such activity is the focus here. Growth therefore matches all the stated aims.

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

Quick Tip to Solve: An increase in sales, product range or capital investment is a direct clue to the growth objective.

5. 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:

- Threats are external environmental trends and changes that hinder the performance of a firm.
- Awareness of the business environment provides early warning signals so managers can respond to adverse changes before serious harm occurs.

Step 1: Identify the external threat Rajat hears of the "upcoming ban on single use plastics", a change that "could hinder his firm's performance". Since he manufactures these disposable products, the ban threatens his existing activity. Recognising it in advance gives him an early warning.

Step 2: Link the response and reject the distractors He responds by switching to bamboo and palm leaves, protecting the business from the identified threat. A stresses a favourable opportunity and first-mover advantage, neither of which is the central clue. C concerns obtaining resources, not detecting the ban. D concerns the general use of environmental knowledge in planning; the case specifically highlights threat identification and early warning.

Step 3: Conclusion The importance highlighted is identifying threats and early warning signals. Hence, the correct option is (B).

Quick Tip to Solve: An adverse change detected before it harms the firm points to threats and early warning signals.

6. _____ 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 synchronises the activities of different departments so their efforts contribute to common organisational goals.
- It integrates group efforts and ensures unity of action despite differences in departmental tasks and priorities.

Step 1: Match the definition The decisive word is "synchronises". Different departments may pursue their own immediate tasks, but their work must fit together in time and purpose. The process that brings these efforts into harmony is coordination.

Step 2: Separate the related terms Management is the broader process of achieving goals effectively and efficiently. Planning decides in advance what is to be done. Directing involves guiding, motivating, leading and communicating with employees. These terms are related to organisational work, but coordination precisely describes synchronising the activities of different departments.

Step 3: Conclusion The blank is filled by co-ordination. Hence, the correct option is (C).

Quick Tip to Solve: Associate synchronising departments and unity of action with coordination, even when other management functions appear as options.

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

The consumer right highlighted above is :

[1 mark]

(A) Right to choose

(B) Right to be informed

(C) Right to consumer education

(D) Right to safety

Correct Answer: (B) Right to be informed

Solution:

Concept:

- The right to be informed entitles consumers to complete information about a product, including its quantity, price and other relevant details.
- Information on a package or label helps the buyer make an informed choice and protects against

unfair trade practices.

Step 1: Use the evidence on the label Lyka Ltd. supplies "the name and address of the manufacturer, the weight, manufacturing date, expiry date, maximum retail price" on its package and label. These are disclosures about the product, so the case directly illustrates the right to be informed.

Step 2: Distinguish the other rights The right to choose concerns access to a variety of products at competitive prices. Consumer education concerns acquiring knowledge and skills about consumer rights and remedies. The right to safety protects consumers against hazardous goods and services. Although an expiry date may help safe use, the case lists comprehensive product information rather than a safety defect; B is the direct match.

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

Quick Tip to Solve: When the clue is a list of product details printed on a label, select the right to be informed.

8. _____ 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:

- Taking corrective action is the final step of controlling: management removes the causes of significant deviations from the standards.
- If deviations cannot be corrected through managerial action, the standards themselves may need revision, particularly where they are unrealistic.

Step 1: Identify the step described The decisive words are “standards may have to be revised when a deviation “can not be corrected through managerial action. Revision in these circumstances is considered while taking corrective action; it is the response to an already identified deviation.

Step 2: Eliminate the earlier steps Setting performance standards establishes the original benchmarks. Measurement records actual results. Comparison and analysis identify the size and causes of deviations. These earlier activities provide information, whereas the question asks about the stage at which managers decide how to remedy the situation, including revising an unattainable standard.

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

Quick Tip to Solve: For controlling-process questions, distinguish finding a deviation from deciding what to do about it; revising an unrealistic standard belongs to corrective action.

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

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

Choose the correct alternative : [1 mark]

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

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

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

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

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

Solution:

Concept:

- SEBI performs developmental, regulatory and protective functions to promote an orderly securities market and safeguard investors.
- Development builds market capabilities; regulation governs market participants and transactions; protection curbs practices that harm investors.

Step 1: Match each activity to its purpose A: Training intermediaries develops their knowledge and competence, so it is a development function, (iii). B: Regulation of takeover bids governs the conduct of companies in the securities market, so it is a regulatory function, (i). C: Controlling insider trading and imposing penalties protects investors from unfair use of unpublished price-sensitive information, so it is a protective function, (ii).

Step 2: Check the alternatives The complete match is A(iii), B(i), C(ii), which appears in option (C). Option (A) wrongly treats training as protective; option (B) wrongly treats it as regulatory. Option (D) starts with the correct training match but interchanges the regulatory and protective classifications for takeover bids and insider trading.

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

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

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 towards their most productive investment opportunity.
- Financial markets link savers who have surplus funds with users who need funds, helping channel savings into productive uses.

Step 1: Identify the process in the definition The quotation describes a "process that allocates or directs funds available for investment into a productive opportunity. The NCERT term for this process is financial intermediation. It connects the supply of investible funds with opportunities to employ those funds.

Step 2: Distinguish the other terms Financial planning estimates a firm's fund requirements and the availability of finance. Capital budgeting concerns a firm's long-term investment decisions, such as acquiring fixed assets. The allocative function describes the role performed by financial markets, but the question asks for the name of the process given in the quotation: financial intermediation.

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

Quick Tip to Solve: When a definition names the process of directing savings to productive investment opportunities, recall the term financial intermediation.

11. 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, such as a word, letter or numeral used to identify a product.
- A trademark is a brand or part of a brand given legal protection, securing its exclusive use by the seller.

Step 1: Evaluate Statement I Statement I correctly identifies the spoken part of a brand as a brand name. This distinguishes it from a brand mark, such as a symbol or design, which is recognisable but cannot itself be uttered.

Step 2: Evaluate Statement II and select the combination Statement II correctly identifies the legally protected part of the brand as a trademark. Legal protection is the defining feature here. Thus neither statement needs to be rejected. Options (A) and (B) each wrongly reject one true statement; option (D) wrongly rejects both. The combination in option (C) alone accepts both correct definitions.

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

Quick Tip to Solve: Use the defining clue: spoken part means brand name; legal protection means trademark; visual symbol means brand mark.

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

(A) Financial Intermediation
(B) Dematerialisation
(C) Allocative function
(D) Mobilisation of securities

Correct Answer: (B) Dematerialisation

Solution:

Concept:

- Dematerialisation converts physical securities certificates into electronic records and enables securities to be held electronically.
- A depository holds these securities in electronic form, with investors accessing the service through a depository participant.

Step 1: Use the key phrase The question asks about "holding securities in electronic form. This points to dematerialisation: ownership is recorded electronically rather than represented by physical certificates. Hence option (B) matches the stated process.

Step 2: Rule out the remaining alternatives Financial intermediation directs investible funds to productive investment opportunities; it does not name electronic holding of securities. The allocative function concerns the distribution of funds among competing uses. Mobilisation brings savings into the financial system and does not describe conversion or holding of certificates in electronic form. Therefore options (A), (C) and (D) do not fit.

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

Quick Tip to Solve: Connect the prefix "de-material with removing the paper certificate: the security then exists as an electronic holding.

13. 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:

- A consumer complaint about defective goods is brought before the appropriate consumer commission according to the value of consideration paid.
- The district-level commission is the appropriate first forum for a purchase of the small value stated in this case; the state and national commissions have higher original pecuniary jurisdictions.

Step 1: Identify the consumer dispute and its value The phone was "worth Rs 40,500 and "started creating problems. Payal uses the phone gifted by her father, who purchased it, so the case concerns a defective consumer product. The fact that it was bought from a friend's shop does not remove consumer protection. The relevant purchase value is Rs 40,500.

Step 2: Select the proper first forum This amount falls within the district-level commission's pecuniary jurisdiction. Therefore Payal should file before the District Forum/Commission. The State Commission and National Commission are not the appropriate original forums for this purchase value. The Supreme Court is not the first consumer redressal forum for such a complaint; it has an appellate role in the statutory hierarchy.

Step 3: Conclusion The appropriate grievance redressal machinery is the District Forum/Commission.

Hence, the correct option is (A).

Quick Tip to Solve: Choose a consumer commission using the consideration paid for the goods; the purchaser's job and the seller's friendship do not determine the forum.

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

(A) Directing initiates Action.

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

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

(D) Directing flows from top to bottom.

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

Solution:

Concept:

- Directing initiates action through guiding, instructing, motivating and leading employees to achieve organisational objectives.
- It takes place at every management level and flows from superior to subordinate; controlling checks performance against plans.

Step 1: Recognise the features of directing Directing initiates action, so (A) is a feature. Managers at every level guide their own subordinates, making (B) a feature. Instructions and guidance flow from superiors towards subordinates, so the top-to-bottom direction stated in (D) is also a feature.

Step 2: Identify the statement belonging to controlling Option (C), "ensures that activities are performed as per plans, describes controlling. Controlling measures actual performance, compares it with standards and corrects deviations. Directing gets people to act and guides their efforts; checking whether the results conform to plans belongs to the controlling function. The word NOT requires selection of this exception.

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

Quick Tip to Solve: Watch for NOT: initiating and guiding action indicate directing, while checking performance against plans indicates controlling.

15. '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 customers to purchase a product.
- Free samples let prospective buyers try a product and can encourage trial purchases of a newly launched range.

Step 1: Identify the incentive in the case Marbury biscuits decided to "distribute free samples of their biscuits in schools". The immediate benefit is the opportunity to try its new oat cookies without paying. Free samples are a sales promotion technique.

Step 2: Eliminate the other tools Advertising is paid, non-personal presentation through a medium. Personal selling involves personal interaction with prospective buyers, while public relations seeks favourable relations and goodwill. The case specifically describes free samples, so sales promotion is the precise tool.

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

Quick Tip to Solve: When a case offers free samples, discounts or a contest to encourage purchases, identify sales promotion.

16. 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 arises spontaneously from personal relationships and social interaction among people at work.
- It satisfies social needs and creates a sense of belonging, which can improve employee job satisfaction.

Step 1: Recognise the social benefit Option (C) describes belongingness and contact with like-minded people. These benefits arise from personal associations rather than formally assigned duties. They enhance job satisfaction and are an advantage of informal organisation.

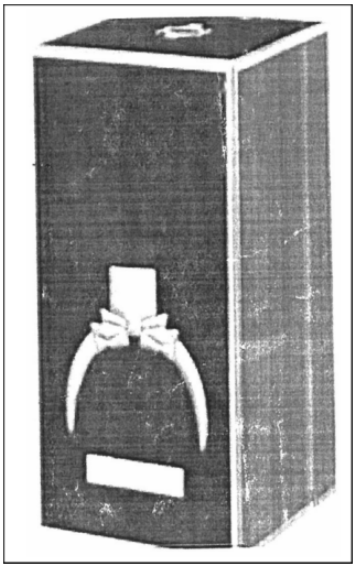
Step 2: Distinguish the formal structure Option (A) concerns predictable behaviour guided by specific rules. Option (B) concerns an officially designed framework for achieving goals, and option (D) concerns clearly defined roles that avoid duplication. These are advantages of formal organisation, so none answers the question.

Step 3: Conclusion Informal organisation enhances job satisfaction by satisfying social needs and providing belongingness. Hence, the correct option is (C).

Quick Tip to Solve: Associate friendship and belongingness with informal organisation; associate defined roles and rules with formal organisation.

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

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



(A) Primary package

(B) Secondary packaging

(C) Transportation packaging

(D) Both (A) and (B)

Correct Answer: (B) Secondary packaging

Solution:

Concept:

- Primary packaging is the immediate container in direct contact with a product, such as a perfume bottle.
- Secondary packaging is the additional protective package around the primary container; transportation packaging holds goods for storage and transport.

Step 1: Identify the particular package asked about The question asks for the level of packaging of the "box shown above. The box encloses the perfume bottle. The bottle is the immediate container, whereas its outer retail box is secondary packaging.

Step 2: Compare the alternatives Option (A) would describe the bottle itself. Option (C) would refer to a transport carton or similar package used for carrying several units. Option (D) is incorrect because the particular box is secondary packaging, even though the complete product may have both a bottle and a box.

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

Quick Tip to Solve: Name the layer the question points to: perfume touches the bottle, while the retail box surrounds that bottle.

18. 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 business environment changes over time because factors such as technology, preferences and government policies keep changing.
- Relativity means the environment differs across countries or regions; uncertainty means future changes are difficult to predict.

Step 1: Evaluate Statement I Statement I incorrectly explains dynamism by saying the environment "differs from country to country". Differences across places show relativity, not change over time. Therefore Statement I is false.

Step 2: Evaluate Statement II and the options Statement II correctly states that the environment is largely uncertain because future happenings are difficult to predict. Thus Statement II is true. Option (A) reverses these truth values, option (C) wrongly accepts Statement I, and option (D) wrongly 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: Use time changes for dynamism, place differences for relativity, and prediction difficulty for uncertainty.

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

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

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

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

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

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

Solution:

Concept:

- Demonetisation withdraws the legal-tender status of specified currency notes and can operate as a tax administration measure.
- It encourages a less-cash economy, formal financial transactions and improved tax compliance rather than movement away from the formal system.

Step 1: Identify the statement contrary to the features The question asks which is NOT a feature. Option (D) says savings were channelised "away from the formal financial system". This reverses the intended direction: demonetisation encouraged savings and transactions to pass through the formal financial system.

Step 2: Check why the other statements are features Option (A) correctly links demonetisation with a less-cash economy and improved tax compliance. Option (B) correctly describes the signal that tax evasion will not be tolerated. Option (C) correctly views it as a tax administration measure. Therefore these three statements do not answer the negative question.

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

Quick Tip to Solve: Underline NOT first, then check the direction: demonetisation promotes movement towards the formal financial system.

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

(A) Financial Intermediation

(B) Dematerialisation

(C) Allocative function

(D) Mobilisation of securities

Correct Answer: (B) Dematerialisation

Solution:

Concept:

- Dematerialisation converts physical security certificates into electronic records so that securities can be held electronically.
- An investor holds these securities in a demat account through the depository system, avoiding physical handling of certificates.

Step 1: Match the definition to the term The decisive words are "holding securities in electronic form". They describe dematerialisation. The paper uses the term for the change from physical certificates to electronic holdings maintained in the depository system.

Step 2: Rule out the other options Financial intermediation concerns intermediaries linking savers and users of funds. The allocative function directs funds towards productive uses. Mobilisation concerns bringing resources together; option (D) does not name the specific electronic-holding process. Only dematerialisation directly matches the definition.

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

Quick Tip to Solve: Link dematerialisation with demat accounts and electronic securities; do not confuse it with mobilisation of funds.

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

Solution:

Concept:

- Planning decides in advance what is to be done and sets objectives and standards. Controlling measures actual performance against those standards and initiates corrective action.
- Planning and controlling are interdependent: plans provide the basis of control, while control ensures that plans are implemented and improves future plans.

Step 1: Explain how planning provides standards for control **Planning is a prerequisite for controlling:** A manager can judge performance only when the desired result has already been specified. Planning establishes objectives and the standards against which actual performance is compared. For example, a planned output target gives the production manager a basis for assessing actual output. Without such a target, there is no clear criterion for deciding whether performance is satisfactory; controlling without planning is therefore meaningless.

Step 2: Explain how controlling makes plans effective **Controlling is essential for effective planning:** Merely preparing a plan does not ensure its achievement. Controlling checks whether work is proceeding according to the plan, identifies deviations and their causes, and leads to corrective action. Thus it helps translate planned objectives into actual results. A plan that is never followed up through control may remain only a statement of intention.

Step 3: Connect feedback with future action **Both are backward-looking as well as forward-looking:** Planning uses past experience to prepare future action. Controlling examines performance already achieved, but its purpose is also to prevent deviations in future. Information obtained through control becomes feedback for revising standards and preparing better plans. Thus each function supports and strengthens the other in a continuing management process.

Step 4: Conclusion Planning supplies the standards, controlling ensures their achievement, and control feedback improves subsequent plans. This mutual dependence makes planning and controlling inseparable twins of management.

Quick Tip to Solve: Link the two functions in a cycle: plans set standards, control checks results, and feedback improves the next plan.

OR

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

Solution:

Concept:

- In the controlling process, managers compare actual performance with standards and analyse significant deviations before taking corrective action.
- Since checking every activity equally is costly, critical point control and management by exception help managers concentrate their limited attention where it is most useful.

Step 1: Explain critical point control **Critical point control:** Control should focus on key result areas that are critical to the success of the organisation. A manager cannot check every activity with equal intensity, so greater attention is given to those activities whose failure would seriously affect overall performance. For example, if a small increase in production cost has a large effect on profitability, production cost should be closely monitored. A minor increase in an insignificant expense may require less attention. The emphasis is on the strategic importance of the area being controlled.

Step 2: Explain management by exception **Management by exception:** This principle states that an attempt to control everything may end up controlling nothing. Only significant deviations beyond an acceptable range should be brought to management's attention. Routine deviations within the permitted limits can be handled at the appropriate operating level. For example, if a manager permits a variation in material cost within a specified limit, only a variation exceeding that limit needs special managerial investigation. This saves managerial time and effort for exceptional matters.

Step 3: Distinguish their focus in deviation analysis Critical point control asks *which areas matter most*,

while management by exception asks *which deviations are large enough to need attention*. Together, they make analysis economical and help managers use their attention effectively without becoming occupied with every small variation in every activity.

Step 4: Conclusion Critical point control concentrates on key result areas, whereas management by exception concentrates on significant deviations beyond prescribed limits. Both guide the analysis of deviations in the controlling process.

Quick Tip to Solve: Remember the difference as area versus magnitude: critical points identify what to watch; exceptions identify when to intervene.

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

(i) Instruments

(ii) Liquidity

(iii) Safety [3 marks]

Solution:

Concept:

- The capital market deals in medium-term and long-term funds, while the money market deals in short-term funds with a maturity of up to one year.
- Liquidity means the ease of converting an investment into cash. Safety refers to the risk associated with the investment; instruments differ in both respects.

Step 1: Compare the three prescribed bases

Basis	Capital Market	Money Market
Instruments	Equity shares, preference shares, debentures, bonds and other medium-term or long-term securities are traded.	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are the main instruments.
Liquidity	Securities are generally less liquid than money-market instruments. Although listed securities can be sold through stock exchanges, obtaining a buyer at a suitable price may take time.	Instruments are highly liquid because they have short maturities; many also have institutional arrangements that facilitate their conversion into cash.
Safety	Investment is relatively riskier. Returns are less certain and the longer duration exposes investors to greater risk, especially in equity shares.	Instruments are relatively safer because they are issued for short periods, generally by financially sound institutions or firms, and default risk is comparatively low.

Step 2: Relate liquidity and safety to the investment period A long-term investment remains exposed to changes in business conditions and security prices for a longer period. Money-market instruments mature quickly and are designed for short-term funding and liquidity needs. The comparison is relative: a capital-market security can still be traded, and a money-market instrument need not be completely free of risk.

Step 3: Conclusion Capital-market instruments are medium-term or long-term securities with comparatively lower liquidity and higher risk. Money-market instruments are short-term instruments

that are generally more liquid and safer.

Quick Tip to Solve: For this comparison, give examples under instruments, then compare liquidity and safety separately instead of repeating only the maturity period.

OR

22(b). Explain the following as factors affecting financing decision :

(i) Fixed Operating Costs

(ii) State of Capital Market [3 marks]

Solution:

Concept:

- A financing decision determines the proportion of funds to be raised through owners' funds and borrowed funds. Debt involves a fixed commitment to pay interest, whereas equity does not require a compulsory dividend payment.
- Fixed operating costs and capital-market conditions affect the risk and feasibility of choosing debt or equity. The financing mix should allow the business to meet its fixed obligations without excessive financial risk.

Step 1: Explain fixed operating costs **Fixed operating costs:** These costs, such as rent and fixed salaries, must be paid irrespective of the level of business activity. If a business already has high fixed operating costs, it should normally use less debt and rely more on equity. Adding compulsory interest payments to high operating commitments would increase the risk of being unable to meet total fixed payments when earnings fall. Conversely, a business with lower fixed operating costs can afford a greater fixed financing burden and may use more debt, subject to its capacity to service it.

Step 2: Explain the state of the capital market **State of capital market:** The condition of the market influences investors' willingness to subscribe to securities. During a booming stock market, investors are more willing to invest in equity shares, so a company can raise owners' funds more easily by issuing equity. In a depressed equity market, raising equity capital becomes difficult and a company may prefer debt as an alternative source. Thus, favourable equity-market sentiment encourages an equity issue, while weak sentiment can shift the financing choice towards debt, after considering its cost and repayment obligations.

Step 3: Conclusion High fixed operating costs favour a lower debt component, while low fixed operating costs permit greater use of debt. A buoyant capital market makes equity finance easier to raise; a depressed equity market can favour debt finance.

Quick Tip to Solve: For fixed costs, ask how much compulsory payment the business can bear. For market conditions, ask which security investors are currently willing to buy.

23. 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. Knowing a principle is different from applying it effectively in a particular situation.
- Art is based on theoretical knowledge, personalised application, and practice and creativity. Different managers can use the same basic knowledge in different ways according to their skills and circumstances.

Step 1: Identify and state the nature of management **(a) Management as an art:** The nature discussed is management as an art. Art means the skilful and personal application of existing knowledge to achieve desired results. The friends use their acquired knowledge to educate the slum dwellers, but choose different methods. The case itself states that "skillful and personal application of acquired knowledge varies from individual to individual in achieving desired results", directly describing this nature of management.

Step 2: Link two features of art to the case **(b) Existence of theoretical knowledge:** Every art has basic principles and theoretical knowledge that guide its application. The case states, "As all the three friends are specialised in social work" and "They used basic knowledge in their unique manner". These lines show that their work is founded on acquired knowledge rather than unguided action.

Personalised application: Individuals apply their knowledge in their own ways, so their style and degree of success may differ. The relevant lines are: "Aman used 'playway method', Ashish used 'music' as a method of learning while Ashi used 'activity based method of learning'." Although all three seek to educate slum dwellers, each applies knowledge through a distinctive teaching method. This is personal application of knowledge, a central feature of art.

Step 3: Conclusion Management is an art. The case illustrates the existence of theoretical knowledge through the friends' specialisation in social work, and personalised application through their different playway, music and activity-based teaching methods.

Quick Tip to Solve: In an art-of-management case, connect acquired knowledge to theoretical knowledge and different ways of using it to personalised application; quote the evidence for each.

24. 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 equips employees to perform their present jobs better, while development prepares them for greater responsibilities and future roles.
- An organisation benefits when its workforce can perform efficiently, adapt to technological changes and take on future responsibilities. These benefits extend beyond the personal gains received by individual employees.

Step 1: Identify the concept from the case **(a) Training and development:** This is the concept discussed. Suzon cars wants its employees to "improve their performance on the current job" and be "prepared for any intended job in future". The first aim relates to training and the second to development. The need arises because the company is introducing Artificial Intelligence in electric-car manufacturing, requiring improved employee knowledge and skills.

Step 2: State five benefits to the organisation **(b) Systematic learning:** Training provides organised learning instead of relying only on trial and error. It reduces wastage of time, effort and materials that can arise when employees try to learn unfamiliar tasks without guidance.

Higher productivity and profitability: Better knowledge and skills improve employees' efficiency and quality of work. Higher productivity can reduce costs and contribute to the profitability of the organisation.

Preparation of future managers: Training and development equip employees for future responsibilities. Suitable employees can take over senior positions when existing managers retire or leave the organisation.

Higher employee morale: Acquiring useful skills increases employees' confidence and satisfaction. Better morale helps reduce absenteeism and employee turnover, giving the organisation a more stable workforce.

Effective response to change: Training helps employees respond quickly to changes in technology and the business environment. At Suzon cars, this enables the workforce to use Artificial Intelligence technology effectively rather than continue with outdated skills.

Step 3: Conclusion The concept is training and development. Its organisational benefits include

systematic learning with less wastage, higher productivity and profitability, preparation of future managers, improved morale with lower absenteeism and turnover, and a more effective response to technological change.

Quick Tip to Solve: Present-job improvement signals training; preparation for future jobs signals development. When asked for organisational benefits, explain how the employer gains from each.

25(a). Give the meaning of 'Leadership' and 'Communication' as elements of directing function of management. [4 marks]

Solution:

Concept:

- Directing means instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. Leadership and communication are two elements through which a manager influences and guides employees.
- Leadership concerns influencing people's behaviour towards organisational goals, while communication concerns creating a common understanding by transmitting information.

Step 1: Explain the meaning of leadership **Leadership:** Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards the achievement of organisational goals. The leader guides people, wins their confidence and encourages them to put in their best efforts. Its essence is influence rather than merely issuing an order because of one's formal position.

Leadership in directing: A manager acts as a leader when employees willingly accept guidance and work towards shared objectives. Thus, leadership gives their efforts a purposeful direction and helps secure their willing cooperation in carrying out plans.

Step 2: Explain the meaning of communication **Communication:** Communication is the process of exchange of information between two or more persons to reach a common understanding. It involves passing facts, ideas, feelings or instructions from a sender to a receiver, with the receiver understanding the message in the sense intended by the sender.

Communication in directing: Managers use communication to explain duties, issue instructions and obtain employees' suggestions or feedback. Merely sending a message does not ensure effective communication; shared understanding enables employees to know what is expected and coordinate their actions accordingly.

Step 3: Conclusion Leadership influences people to strive voluntarily for organisational goals. Communication exchanges information to create common understanding. Together, these elements enable the manager to guide employees and make organisational plans effective in action.

Quick Tip to Solve: In the definitions, retain the decisive phrases: leadership involves voluntary effort through influence; communication requires a common understanding, not just transmission.

OR

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

(i) Faulty translations

(ii) Unclarified assumptions [4 marks]

Solution:

Concept:

- Semantic barriers are problems and obstructions in the encoding and decoding of a message into words or impressions. They prevent the receiver from understanding the meaning intended by the sender.
- Faulty translation changes meaning when a message is converted between languages. Unclarified assumptions leave important conditions unstated, allowing the sender and receiver to interpret the same message differently.

Step 1: Explain faulty translations **Faulty translations:** In an organisation, a message may have to be translated from one language into another before employees can understand it. If the translator lacks proficiency in both languages, the translated words may fail to convey the meaning of the original message. Literal translation or an unsuitable equivalent can therefore distort the information or instructions.

Effect on understanding: The receiver acts on the translated version rather than the original intention. For example, if an instruction to inspect every unit is translated as an instruction to inspect a few units, the scope of the required work changes. This illustrates why accurate translation is essential to preserve the sender's meaning.

Step 2: Explain unclarified assumptions **Unclarified assumptions:** Some communications contain assumptions that the sender takes for granted but does not explain. The receiver may not share these assumptions and may interpret the message on a different basis. A message can therefore appear clear in its words while still producing misunderstanding.

Effect on understanding: For example, a superior asks a subordinate to receive an official visitor. The superior may also expect transport and accommodation to be arranged, whereas the subordinate understands the instruction as merely welcoming the visitor. Because the additional expectations were not stated, the two persons attach different meanings to the instruction.

Step 3: Conclusion Faulty translations obstruct communication by changing meaning during conversion between languages. Unclarified assumptions obstruct it because unstated expectations are not necessarily shared by the receiver. Both prevent a common understanding of the message.

Quick Tip to Solve: Distinguish the source of confusion: faulty translation changes the language expression; an unclarified assumption leaves an expected condition unspoken.

26. 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 proportion of debt and equity used to finance a business. The choice of sources depends on market conditions, their costs, control considerations and the regulatory framework.
- An issue of equity shares raises owners' funds, but new shareholders acquire voting rights. The decision must therefore consider more than the immediate availability of finance.

Step 1: Identify the market and control considerations **1. Stock market conditions:** The Finance Manager suggested shares because "the stock market was bullish". In a rising stock market, investors are more willing to invest in equity, making an equity issue easier to sell. During depressed market conditions, a company may find debt more suitable.

2. Control: The CEO understood that the issue would "reduce the managements' holding in the company". New equity shareholders obtain voting rights, so the existing shareholders' proportionate ownership and control are diluted. If retaining control is a priority, management may prefer debt, which normally does not give lenders voting rights.

Step 2: Identify issue costs and legal requirements **3. Floatation costs:** The issue would "require considerable expenditure". Raising funds involves costs such as brokerage, underwriting commission and the preparation of issue documents. Such floatation costs must be considered when choosing between sources, since they affect the net funds received and the overall cost of raising capital.

4. Regulatory framework: The shares were issued "complying with the guidelines of Securities and Exchange Board of India". Every source of finance is subject to a regulatory framework. The company must consider the applicable legal requirements and comply with the rules governing a public issue before selecting and using that source.

Step 3: Conclusion The four factors are **stock market conditions, control, floatation costs and the regulatory framework**. The bullish market favoured equity, while dilution of ownership, issue expenditure and SEBI requirements also influenced the decision.

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

27. 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:

- A responsible consumer reads product labels carefully, checks the quantity and other relevant information, and asserts the right to fair treatment rather than accepting exploitation.
- A consumer should seek redressal for a genuine grievance. When the complaint is proved, the consumer commission can direct the opposite party to provide appropriate relief, including replacement or refund.

Step 1: State the two responsibilities shown by Nishi **(a)(i) Read labels and check product information carefully:** Nishi compared the actual weight with the quantity declared on the label. The case says she "checked its weight on the kitchen weighing scale" and found 60 grams although the packet mentioned 100 grams. She therefore acted as an alert consumer instead of accepting the stated quantity without checking it.

(a)(ii) Assert consumer rights and file a genuine complaint: A consumer should speak out and seek a fair deal when dissatisfied. Nishi "refused to accept the gift hamper and took the issue to a redressal agency". She did not allow the manufacturer's inducement to silence her genuine grievance and pursued the proper channel for redressal.

Step 2: State two reliefs the consumer commission may grant **(b)(i) Replacement of the goods:** The commission may direct the manufacturer to replace the underweight packet with a packet of the same type that is free from the defect and contains the declared quantity. This gives Nishi the quantity for which she paid.

(b)(ii) Refund of the price paid: The commission may instead direct the manufacturer to return the price paid by Nishi for the underweight packet. This restores the purchase amount when the supplied goods do not meet the declared quantity. These are possible remedies; the commission determines the appropriate order after examining the complaint.

Step 3: Conclusion Nishi discharged her responsibilities by **checking the label and actual quantity** and **asserting her rights through a genuine complaint**. Two reliefs available are **replacement with a proper packet** and **refund of the price paid**.

Quick Tip to Solve: For responsibilities, cite what the consumer actually did; for reliefs, state what the commission can order. Keep consumer actions separate from remedies against the seller or manufacturer.

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

(a) Operating Efficiency

(b) Availability of Raw Material [4 marks]

Solution:

Concept:

- Working capital finances day-to-day operations, including inventories, wages and other current expenses. Its requirement depends on how much money remains tied up in the operating cycle.
- Operating efficiency and the availability of raw material affect the amount invested in current assets; efficient operations and dependable supplies generally reduce this requirement.

Step 1: Explain operating efficiency **(a) Operating efficiency:** Efficient operations make better use of resources and reduce wastage. Better inventory turnover allows materials and goods to move through production and sales faster, so funds remain blocked in stock for a shorter period. Efficient collection of receivables also brings cash back into the business quickly. Consequently, a company with a high degree of operating efficiency requires less working capital for a given scale of activity. Conversely, slow inventory movement, inefficient operations and delays in collecting dues tie up funds and raise working capital requirements.

Step 2: Explain availability of raw material **(b) Availability of raw material:** If raw materials are freely and continuously available, the company can replenish them when needed and maintain smaller stocks. Less money is then invested in raw-material inventory, reducing working capital requirements. If supplies are scarce, uncertain or seasonal, the company must hold larger stocks to avoid interruption of production. Materials available only during a particular season may have to be purchased and stored for use throughout the year, tying up more funds. Longer procurement lead times similarly require higher safety stocks and increase the working capital needed.

Step 3: Conclusion High operating efficiency lowers the funds tied up in the operating cycle. Easy and regular raw-material availability lowers inventory needs, whereas uncertain or seasonal availability increases the working capital requirement.

Quick Tip to Solve: Link each factor to funds blocked in current assets: faster turnover and regular supplies mean less blockage; delays and stockpiling mean more.

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

(i) Selection Tests

(ii) Employment Interview [4 marks]

Solution:

Concept:

- Selection chooses the most suitable candidates from the applicants by comparing their abilities and suitability with the requirements of the job.
- Selection tests and the employment interview provide different kinds of information about applicants. Tests assess particular attributes, while the interview permits direct interaction and

clarification.

Step 1: Explain selection tests **(i) Selection tests:** These are devices used to measure characteristics of individuals, ranging from their aptitudes to their personality. They provide information about a candidate's suitability for a particular job. Intelligence tests indicate learning ability and the ability to make decisions and judgements; aptitude tests measure potential for learning new skills. Trade tests assess existing knowledge and proficiency in a particular occupation. Personality tests reveal characteristics such as maturity, emotional balance and reactions, while interest tests identify a person's pattern of interests or involvement in activities. The organisation chooses appropriate tests according to the job and uses the results to assess applicants objectively.

Step 2: Explain the employment interview **(ii) Employment interview:** It is a formal, in-depth conversation conducted to evaluate an applicant's suitability for the job. The interviewer seeks information about the applicant's education, experience, abilities and reasons for seeking employment, and clarifies details supplied in the application or revealed by tests. Direct interaction also helps assess communication and other relevant personal qualities. The interview is a two-way process: the applicant can ask questions about the organisation, job duties and working conditions, helping the applicant judge whether to accept the job if offered. Thus, it supplies information to both parties before the selection decision is made.

Step 3: Conclusion Selection tests measure relevant abilities, skills and personal attributes; the employment interview evaluates job suitability through a formal conversation and gives the candidate information about the job and organisation.

Quick Tip to Solve: Distinguish measurement from interaction: tests measure specific attributes; the interview is a formal two-way conversation about suitability.

OR

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

Solution:

Concept:

- Staffing is the managerial function of finding the right people for the right jobs through recruitment, selection, placement, training and development.
- Its importance lies in obtaining competent personnel, using human resources effectively and developing people so that the organisation can achieve its objectives.

Step 1: State how staffing obtains and uses capable employees **1. Obtaining competent personnel:** Staffing helps an organisation discover and obtain competent persons for different jobs. Recruitment creates a pool of candidates, and selection identifies those whose abilities fit the work. The organisation therefore has people capable of performing the duties assigned to them.

2. Higher performance: By putting the right person on the right job, staffing leads to higher performance. Selection and placement match an employee's qualifications and abilities with the job's requirements; training further improves the knowledge and skills needed for effective work.

Step 2: State how staffing supports continuity and employee satisfaction **3. Continuous survival and growth:** Staffing ensures the continuous survival and growth of the enterprise through succession planning for managers. Training and development prepare employees to take up higher responsibilities, so vacancies and future managerial requirements can be met without disrupting operations.

4. Better job satisfaction and morale: Objective assessment of employees and fair rewards for their contribution improve job satisfaction and morale. Employees gain confidence when their abilities are recognised and opportunities for advancement are based on merit, encouraging them to contribute willingly to organisational goals.

Step 3: Conclusion Four points of importance of staffing are obtaining competent personnel, achieving higher performance through proper placement, ensuring continuous survival and growth through succession planning, and improving job satisfaction and morale through fair assessment and rewards.

Quick Tip to Solve: Link each staffing benefit to its mechanism: recruitment obtains talent, placement improves performance, development prepares successors, and fair rewards raise morale.

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

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

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

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

Solution:

Concept:

- Non-financial incentives motivate employees by satisfying psychological, social and emotional needs rather than by providing a direct monetary payment.
- Maslow's need hierarchy distinguishes physiological, safety or security, affiliation or belongingness, esteem and self-actualisation needs. An incentive must be matched to the particular need it satisfies.

Step 1: Identify and explain job security and the need it satisfies **(a) Job security:** Arvind and Yogesh were "absorbed permanently in the company" after working on a contract basis. This is the non-financial incentive of job security. Employees want stability in employment and reasonable assurance that their future income will continue. Permanent absorption reduces uncertainty about losing the job and motivates them to work with greater commitment.

(b) Safety or security needs: The case states that both employees were happy because "there was stability about their future income". Thus, this incentive meets their safety or security needs under

Maslow's theory, particularly security of employment and protection against economic uncertainty.

Step 2: Identify and explain employee recognition and the need it satisfies **(a) Employee recognition programmes:** Ekta was awarded the "Best Employee of the year Award". This is recognition of her contribution through a formal award. Recognition means acknowledging and appreciating good performance; it makes the employee feel valued and encourages continued high performance. The case describes an award, so no cash payment should be inferred.

(b) Esteem needs: The award meets Ekta's esteem needs, such as recognition, status, self-respect and respect from others. Public appreciation of her work acknowledges her achievement and strengthens her sense of professional worth. It is not merely belongingness, because the motivating feature is appreciation for performance.

Step 3: Conclusion Shanta Enterprises uses job security for Arvind and Yogesh, satisfying their safety or security needs, and an employee recognition programme for Ekta, satisfying her esteem needs. Both are non-financial incentives.

Quick Tip to Solve: Permanent employment signals security needs; an award or public appreciation signals recognition and esteem needs. Use the case's exact clue before naming the need.

31(a). Explain the following as features of planning function of management :

(i) Planning focuses on achieving objectives.

(ii) Planning is futuristic.

(iii) Planning involves decision making. [6 marks]

Solution:

Concept:

- Planning means setting objectives and deciding in advance what is to be done, how it is to be done and who will do it. It bridges the gap between the present position and the desired future position.
- The features of planning explain its nature: it gives activities a goal, anticipates the future and requires a choice between possible courses of action.

Step 1: Explain how planning focuses on achieving objectives **Planning focuses on achieving objectives:** Planning begins with the determination of specific objectives. Every plan specifies the activities and methods required to achieve those objectives. Thus, planning has no purpose unless it contributes to the accomplishment of predetermined organisational goals.

Plans direct the efforts of departments and individuals towards a common result. They prevent employees from working without a clear purpose and ensure that resources are used for activities that help the organisation achieve its objectives. For example, if a business aims to increase sales, its sales and production plans must identify the actions needed to achieve that target.

Step 2: Explain why planning is futuristic **Planning is futuristic:** Planning looks ahead and prepares the organisation for the future. A manager anticipates future events and conditions, analyses them and decides how to meet them effectively. The purpose is to use future opportunities and prepare for possible difficulties before they arise.

Forecasting is therefore an important part of planning. Managers make predictions about factors such

as customer demand, competition and technology, and develop plans on that basis. Although planning cannot eliminate uncertainty, it provides a considered course of action for expected conditions instead of leaving all responses until events occur.

Step 3: Explain how planning involves decision making **Planning involves decision making:** Planning requires a manager to choose from alternative courses of action. The alternatives are identified, examined and compared in terms of their likely benefits, costs and suitability for the objectives. The most appropriate alternative is then selected.

A choice is necessary because the same objective may be achieved in different ways. For example, output might be increased by employing additional workers or by installing better machinery. If there is only one possible course of action, there is no real choice to make and hence no need for planning in that decision. Planning thus involves decisions about both the ends to be achieved and the means of achieving them.

Step 4: Conclusion Planning directs activities towards predetermined objectives, anticipates future conditions and selects the most suitable course from available alternatives. These explain its objective-oriented, futuristic and decision-making nature respectively.

Quick Tip to Solve: Link the three features to three questions: What goal must be achieved? What future conditions are expected? Which available course should be chosen?

OR

31(b). Explain the following steps in the process of planning :

(i) Setting objectives

(ii) Developing Premises

(iii) Identifying alternative courses of action [6 marks]

Solution:

Concept:

- Planning is a systematic process of deciding objectives and the course of action required to achieve them. Its early steps establish the destination, the assumptions about future conditions and the possible routes to that destination.
- Objectives state what the organisation wants to achieve. Premises are the assumptions on which plans are based. Alternative courses of action are the different feasible ways of achieving the objectives.

Step 1: Explain setting objectives **Setting objectives:** The first step in planning is to specify what the organisation wants to achieve. Objectives must be stated clearly, so that employees know what they are expected to do and can direct their efforts accordingly. Wherever possible, objectives should be measurable and specify the time within which the results are required.

Objectives are established for the organisation as a whole and for its departments and units. Departmental objectives must be consistent with the overall objectives; for example, a sales target must be supported by suitable production and resource plans. These objectives provide direction for

subsequent planning decisions and the basis for judging whether the plan has achieved the intended results.

Step 2: Explain developing premises **Developing premises:** A plan concerns the future, but the future is uncertain. Managers therefore make assumptions about the conditions in which the plan is expected to operate. These assumptions are called planning premises and form the base on which the plan is developed.

Premises may relate to matters such as future demand, prices, competition, technology, government policies or the availability of resources. They can be developed using forecasts, existing plans and available information about the business environment. Managers involved in planning should understand and use consistent premises so that different departmental plans fit together. Reliable premises improve the usefulness of the resulting plan; they are assumptions to be reviewed as conditions change, rather than guarantees about future events.

Step 3: Explain identifying alternative courses of action **Identifying alternative courses of action:** Once objectives and premises are clear, the manager identifies the different possible ways of achieving the desired result. There may be several courses of action, and the manager should search for the feasible alternatives rather than accept the first obvious solution.

Routine alternatives as well as new and innovative ideas may be considered. For example, a business seeking to increase sales may consider entering new markets, improving its product or strengthening its distribution arrangements. This step identifies the available options; their detailed evaluation and the selection of the best alternative follow in later steps. A sufficiently wide search improves the chance of finding an effective course of action.

Step 4: Conclusion Setting objectives clarifies the results to be achieved, developing premises establishes the assumptions about future conditions, and identifying alternative courses reveals the possible ways of reaching those results. Together, these steps prepare the ground for evaluating and selecting a plan.

Quick Tip to Solve: Remember the sequence as destination, assumptions and routes. Identifying alternatives lists possible routes; evaluating and selecting them are later steps.

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

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

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

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

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

Solution:

Concept:

- Taylor's scientific management replaces untested working habits with scientifically studied methods to improve productivity and promote the prosperity of both employer and employees.
- A principle gives a broad guide to managerial action, whereas a technique is a practical procedure for applying scientific management. Here the employee-development principle is supported by standardisation and method study.

Step 1: Identify the employee-development principle from the case **Development of each and every person to his or her greatest efficiency and prosperity:** The case states that Coffee Bean "regularly invests in training and development programmes" to equip employees with the required skills and knowledge. This identifies Taylor's principle of developing every worker, rather than expecting efficiency to arise without preparation.

Step 2: Explain how the principle benefits workers and the organisation **Scientific selection, training and development:** Each worker should be scientifically selected, assigned work suited to his or her physical, mental and intellectual capabilities, and trained in the best method of performing it. Greater efficiency raises output and helps workers earn more, while the business benefits from higher productivity. The statement that efficient employees "will produce more and earn more" and ensure prosperity for "both company and workers" directly reflects this principle.

Step 3: Identify the standardisation technique **Standardisation of work:** Coffee Bean uses "standardised raw materials, processes, methods, working conditions, machinery etc." Standardisation means setting standards for every business activity, including materials, equipment, processes and output. These standards establish benchmarks against which actual performance can be assessed and maintained.

Step 4: Explain the purpose of standardisation **Consistent quality and economical production:** Standardisation establishes standards of excellence and helps ensure uniform quality and characteris-

tics of products and uniform performance by people and machines. Suitable standards for materials, equipment and processes reduce unnecessary variation and waste. This explains why the restaurant could reduce costs while supplying customers with reliable products. The case's exact reference to standards identifies standardisation; it does not describe reducing the product range through simplification.

Step 5: Identify method study from the best-way statement **Method study:** Ankur believes there is "only one best method to maximise efficiency" and develops the "best way of grilling burgers, cooking fries and preparing shakes". Method study determines the best way of doing a job by examining the available methods and selecting the most suitable one.

Step 6: Explain the objective of method study **Minimum cost with maximum efficiency:** The study examines how work should be organised and performed, such as the sequence of operations, use of equipment and movement of materials. Its purpose is to minimise the cost of production while maximising quality and customer satisfaction. Establishing and teaching the best cooking method helps the restaurant achieve these objectives consistently.

Step 7: 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**, evidenced respectively by uniform standards and the search for the best cooking method.

Quick Tip to Solve: Match "training and prosperity" to employee development, "standards" to standardisation, and "best way" to method study; explain each with its own case quotation.

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

(i) Product Designing and Development

(ii) Physical Distribution

(iii) Storage or Warehousing [6 marks]

Solution:

Concept:

- Marketing includes activities that help identify and satisfy customer needs through an exchange. Its functions extend beyond selling to developing suitable products and making them available at the right place and time.
- Product designing and development creates a suitable offering; physical distribution moves the finished product to customers; storage or warehousing maintains availability over time.

Step 1: Explain product designing and development **Create a product suited to customer needs:** This function involves decisions about a product's design and development, including its shape, size, style, features, quality and performance. A marketer studies the needs and preferences of the intended customers and develops an offering that satisfies them. Design therefore concerns usefulness as well as appearance; an attractive product must also perform its intended function satisfactorily.

Step 2: Show how good design improves marketability **Build a competitive advantage:** A well-designed product can improve performance and usefulness, make the product more attractive to its target customers and distinguish it from competing products. Appropriate design and continuing

development help the firm respond to changing preferences and improve customer satisfaction. For example, a convenient shape and useful features can make a product easier to use and more appealing to buyers.

Step 3: Explain physical distribution **Move finished goods to the place of consumption:** Physical distribution involves the physical movement of products from where they are produced to the places where customers need them. The marketer must arrange for goods to reach the intended market in the required quantities and condition. This makes the product accessible to customers and creates place utility.

Step 4: Describe the decisions involved in physical distribution **Arrange efficient delivery:** Important decisions include the means of transportation and the management of inventory, order processing and warehousing so that customers receive products when required. In distributing goods, the firm also makes decisions about the channels through which goods pass to buyers. Efficient arrangements balance timely and reliable delivery with distribution costs, helping avoid lost sales caused by non-availability.

Step 5: Explain storage or warehousing **Bridge the time gap between production and sale:** Goods are not always produced and purchased at the same time. Storage or warehousing holds finished goods until they are sold or required for distribution. It thus creates time utility and helps maintain a regular supply of products in the market, even when production and demand occur at different times.

Step 6: State why adequate storage is necessary **Maintain availability and protect goods:** Proper storage protects products against deterioration and damage and reduces the risk of shortages. Warehouses are particularly important where production is seasonal but demand continues throughout the year, or where production is continuous but demand is seasonal. The marketer assesses the need for warehouses and arranges suitable storage so that customers can obtain goods as and when they need them.

Step 7: Conclusion **Product designing and development** provides a useful and attractive product, **physical distribution** takes it to the customer's location, and **storage or warehousing** keeps it available until it is needed. Together these functions support customer satisfaction and effective marketing.

Quick Tip to Solve: Organise these functions around three questions: What product should be offered? How will it reach buyers? How will it remain available until buyers need it?

OR

33(b). Explain the following factors affecting 'Price determination' :

(i) Product Cost

(ii) The Utility and Demand

(iii) Extent of Competition in the market [6 marks]

Solution:

Concept:

- Price is the amount paid by a buyer in exchange for a product. Price determination must reconcile the firm's costs with what customers are willing to pay and with competing offers.
- Product cost normally sets the minimum or floor price in the long run, while the utility perceived by buyers and the intensity of demand influence the maximum or ceiling price.
- Competition narrows the range within which a firm can choose its price: the price and quality of rival products provide a reference for customers.

Step 1: Explain product cost **(i) Product cost:** The costs of producing, distributing and selling the product are an important starting point for pricing. These include fixed costs, which do not change with the level of output in the short run, and variable costs, which change with output. Their sum is total cost; dividing total cost by output gives cost per unit.

In the long run, the price should recover the total cost and provide a reasonable profit margin, otherwise the business cannot continue profitably. Thus cost normally sets the floor for price. A firm may exceptionally sell below cost for a short period, for example to introduce a product or enter a new market, but this cannot be its normal long-run pricing policy.

Step 2: Explain utility and demand **(ii) The utility and demand:** Utility means the benefit or satisfaction that a buyer expects from the product. Buyers will generally pay a price only when they consider the value received at least equal to the money sacrificed. Greater perceived utility and stronger demand can therefore support a higher price; these factors help determine its ceiling.

The price elasticity of demand also matters. If demand is elastic, a small price rise may cause a relatively large fall in quantity demanded because customers can postpone buying or choose substitutes. Such a firm must be cautious about raising prices. If demand is inelastic, quantity demanded changes relatively little with price, giving the seller greater freedom to charge a higher price, subject to the other pricing factors.

Step 3: Explain the extent of competition **(iii) Extent of competition in the market:** The number and strength of competitors, their prices and the quality and features of their products influence the firm's price. When many close substitutes are available, buyers can compare offers and switch sellers; consequently a firm has little freedom to charge substantially more without offering additional value.

Where competition is limited or the product is meaningfully differentiated, the firm has greater pricing freedom. Competitors' prices and likely reactions must still be considered. Thus a firm studies rival products and prices and fixes a competitive price in relation to its own quality, costs and customer benefits, rather than deciding solely by adding profit to cost.

Step 4: Conclusion Product cost establishes the normal long-run floor, utility and demand influence the ceiling, and competition constrains the price within that range. A sound price balances all three

factors so that the product is acceptable to customers and financially viable for the firm.

Quick Tip to Solve: Link the three factors to floor, ceiling and competitive range, then explain why each limits the seller's pricing freedom.

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

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

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

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out assigned duties. It involves assigning responsibility, granting the necessary authority and creating accountability for performance.
- Delegation lets a manager concentrate on important work while developing subordinates. Authority is granted within prescribed limits; the superior's ultimate accountability is not transferred.

Step 1: Identify the concept from the case **(a) The concept is delegation.** Preeti assigned filming, editing, lighting and content research to Rahul and Riya and "granted authority to them to operate within prescribed limits". This is more than merely asking for assistance: they received the authority needed to perform the work assigned to them. Preeti remained responsible for the overall performance of her channel.

Step 2: Explain effective management and employee development **(b) Any five points of importance of delegation are as follows:**

1. Effective management: By delegating routine work, a manager reduces her workload and gains time to concentrate on important activities. The case says Preeti could "use her time on high priority activities like developing new recipes and content development". Delegation therefore enabled her to manage the channel more effectively and focus on its objectives.

2. Employee development: Delegation gives employees opportunities to use their abilities, take decisions and handle new responsibilities. It develops their skills and prepares them for more demanding roles. Rahul and Riya were "given opportunities to develop and exercise initiative", directly illustrating this benefit.

Step 3: Explain motivation, growth and coordination **3. Motivation of employees:** Entrusting employees with responsibility and authority shows confidence in them. It gives them recognition, a sense of importance and an opportunity to demonstrate competence, encouraging initiative and

commitment. Preeti's decision to let Rahul and Riya "operate within prescribed limits" provides this opportunity; the motivational benefit follows from the trust and autonomy delegation gives employees.

4. Facilitation of growth: Delegation helps build a pool of capable employees who can take greater responsibilities as the enterprise expands. It also prevents all work from depending on one manager. In the case, "as her subscribers increased", Preeti could not "manage everything on her own". Distributing work to Rahul and Riya helped her cope with this expansion and pursue the target of a subscriber base of one million in six months.

5. Better coordination: Delegation clarifies who is responsible for particular duties, who has authority and who is answerable for results. Clearly defined superior–subordinate relationships reduce confusion and duplication and help integrate different activities towards common objectives. Here, assigning filming, editing, lighting and research to helpers, with authority "within prescribed limits", gives a basis for coordinating their work with Preeti's recipe and content development.

Step 4: Conclusion Preeti used delegation. Its importance lies in effective management, employee development, employee motivation, facilitation of growth and better coordination. By sharing work and the necessary authority, she could focus on objectives and achieve the channel's subscriber target while enabling her helpers to exercise initiative.

Quick Tip to Solve: Identify delegation from assigned duties plus authority, then explain five distinct benefits; connect the case's own words to the benefits they demonstrate.