CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/5/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. Navya went to a supermarket for grocery shopping. She bought one kg of bajra flour from the supermarket. On reaching home when she opened the packet she found worms inside it. She was disappointed and told her son about the same. Her son asked her to check the label. When she checked the label of the packet, she found that bajra flour was stale and beyond the expiry date. She approached the sales-person at the supermarket who replaced the bajra flour immediately. When she thanked the sales-person, she was told that it was the policy of the supermarket to satisfy the customers. He further told that satisfied customers not only lead to repeat sales but they also provide good feedback to prospective customers which helps in increasing the customer base of business. Identify the point of importance of consumer protection from the point of view of the supermarket which is helping them to increase the customer base : [1 mark]

(A) Long term interest of the business

(B) Moral justification

(C) Social responsibility

(D) Government intervention

Correct Answer: (A) Long term interest of the business

Solution:

Concept:

- Consumer protection serves the long-term interest of business by building customer satisfaction, goodwill and repeat purchases.
- A satisfied consumer can recommend the business to prospective buyers, increasing its customer base and helping it sustain growth.

Step 1: Identify the evidence in the case The salesperson explains that satisfied customers lead to 'repeat sales' and provide 'good feedback to prospective customers'. These benefits improve the supermarket's reputation and attract more buyers over time. Replacing the stale flour therefore protects a continuing business relationship.

Step 2: Distinguish the other grounds Moral justification concerns doing what is right; social responsibility concerns the business's obligations to society. Government intervention concerns avoiding regulatory action. None of these specifically describes the repeat sales and expanding customer base emphasised here.

Step 3: Conclusion The point is long term interest of the business. Hence, the correct option is (A).

Quick Tip to Solve: For consumer-protection cases mentioning repeat sales, goodwill or new customers, connect the benefit to the long-term interest of business.

2. Read the following statements :

Assertion (A) and Reason (R). Choose the correct alternative from those given below :

Assertion (A) : Availability of leasing facilities may reduce the funds required to be invested in fixed assets thereby reducing the fixed capital requirements.

Reason (R) : When an asset is taken on lease, the firm pays lease rentals to use it and avoids to invest huge sums required to purchase it. [1 mark]

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

(B) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true but Reason (R) is false.

(D) Assertion (A) is false but Reason (R) is true.

Correct Answer: (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Solution:

Concept:

- Fixed capital is the investment in long-term assets such as machinery and buildings.
- Leasing allows a firm to use an asset by paying rentals instead of immediately investing the large sum needed to buy it.

Step 1: Evaluate the assertion Assertion (A) is true. Availability of leasing facilities can reduce the amount that the firm must invest in fixed assets. It obtains the use of equipment without purchasing that equipment, so its fixed capital requirement may be lower.

Step 2: Evaluate the reason Reason (R) is also true. A lessee pays lease rentals for the right to use the asset and avoids the substantial initial purchase payment. Rentals are the consideration for use rather than an outright purchase of the asset.

Step 3: Check the explanatory link The reason directly explains the assertion: avoiding the huge purchase outlay is precisely why leasing can lower fixed capital requirements. Thus (B) is wrong because the explanation is valid, while (C) and (D) are wrong because neither statement is false.

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

Quick Tip to Solve: In leasing questions, separate the right to use an asset from the need to finance its outright purchase.

3. Statement-I : The basic function of a Stock Exchange is the creation of a continuous market where securities are bought and sold.

Statement-II : The Stock Exchange provides both liquidity and easy marketability to already existing securities in the market.

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 stock exchange provides a continuous secondary market in which investors buy and sell existing securities.
- Liquidity means the ability to convert an investment into cash; easy marketability makes this conversion possible through organised trading.

Step 1: Assess Statement-I Statement-I is true. An organised stock exchange brings together buyers and sellers and provides facilities for regular trading in securities. An investor need not wait until a security matures to seek a buyer.

Step 2: Assess Statement-II and select the combination Statement-II is also true. Through the continuous market, investors can sell already existing securities, obtaining liquidity and easy marketability. This does not mean the exchange itself issues those securities. Options (A) and (B) each wrongly reject one true statement, and (D) wrongly rejects both.

Step 3: Conclusion Both the Statements are true. Hence, the correct option is (C).

Quick Tip to Solve: Link the stock exchange with resale of existing securities: continuous trading supplies both liquidity and marketability.

4. Many reputed business organisations keep a database of unsolicited applicants in their offices. Such job seekers can be a valuable source of manpower. A list of such job seekers can be prepared and can be screened to fill the vacancies as they arise. The source of recruitment discussed above is : [1 mark]

(A) Direct recruitment

(B) Casual callers

(C) Labour contractors

(D) Campus recruitment

Correct Answer: (B) Casual callers

Solution:

Concept:

- Casual callers are unsolicited job applicants whose applications an organisation retains for possible future employment.
- The organisation can maintain a database of these applicants, screen them and contact suitable candidates when vacancies arise.

Step 1: Match the description to the source The decisive case expressions are 'database of unsolicited applicants' and screening the list 'to fill the vacancies as they arise'. These are the defining features of casual callers: the applicants approach the organisation without a specific recruitment invitation.

Step 2: Eliminate the other sources Direct recruitment generally involves a notice at the workplace and selection from those assembling there. Labour contractors supply workers through intermediaries. Campus recruitment involves approaching educational institutions. None describes retaining unsolicited applications for future vacancies.

Step 3: Conclusion The source of recruitment is casual callers. Hence, the correct option is (B).

Quick Tip to Solve: An unsolicited application saved for a later vacancy signals casual callers, whereas a workplace notice signals direct recruitment.

5. 'Child-O' is a garment manufacturing company which makes clothes with unique and stylish designs for children. Naisha was working as the Human Resource Manager with 'Child-O'. Inspite of good pay and many other benefits offered, the company is facing problem of high turnover of its employees. Naisha tried to find out the reason but could not. She appointed a person with the permission of the Chief Executive Officer to find out the reason. It was found that other organisations were giving more autonomy and authority to their employees which made them feel that their jobs were important. This was attracting the employees of 'Child-O' to other organisations. The incentive which attracted the employees of 'Child-O' to other organisations is : [1 mark]

(A) Employee Recognition programmes

(B) Employee Participation

(C) Career Advancement Opportunity

(D) Employee Empowerment

Correct Answer: (D) Employee Empowerment

Solution:

Concept:

- Employee empowerment is a non-financial incentive that gives employees greater autonomy and authority in their work.
- Empowerment makes employees feel that their jobs are important and that their own abilities contribute to organisational success.

Step 1: Identify the attraction in the case The other organisations offered 'more autonomy and authority' and made employees feel 'that their jobs were important'. These clues show employee empowerment. Child-O already offered good pay and benefits, so the stated attraction is a non-financial incentive.

Step 2: Separate empowerment from related incentives Recognition programmes acknowledge or reward performance. Employee participation involves employees in decision-making, but the specific emphasis here is greater autonomy and authority. Career advancement opportunity concerns growth and promotion. None fits the complete description as closely as empowerment.

Step 3: Conclusion The incentive is Employee Empowerment. Hence, the correct option is (D).

Quick Tip to Solve: Use the strongest clue: autonomy and authority indicate empowerment; involvement in decisions indicates participation.

6. For holding securities in an electronic form, the investor has to open a demat account with an organisation called _____. [1 mark]

(A) Depository

(B) Securities and Exchange Board of India

(C) Stock Exchange

(D) Mutual Fund

Correct Answer: (A) Depository

Solution:

Concept:

- A depository is an organisation that holds securities in electronic form and facilitates their transfer.
- A demat account records securities in dematerialised form, avoiding the need to hold physical share certificates.

Step 1: Identify the organisation that holds securities The question asks who holds the investor's securities electronically. This is the role of a depository. In practice investors access depository services through a depository participant, but the organisation named among the printed alternatives is the depository.

Step 2: Reject organisations with different functions SEBI regulates the securities market; it does not hold an individual's securities in a demat account. A stock exchange provides a trading market. A mutual fund pools investors' money and invests it in a portfolio. These functions differ from holding dematerialised securities.

Step 3: Conclusion The investor opens the demat account for holding securities with a Depository, through its participant. Hence, the correct option is (A).

Quick Tip to Solve: Remember the roles separately: depository holds securities, stock exchange enables trading, and SEBI regulates the market.

7. The activities involved in managing the enterprise are common to all organisations whether economic, political or social. Identify the feature of management : [1 mark]

(A) Management is multidimensional.

(B) Management is all pervasive.

(C) Management is a continuous process.

(D) Management is a dynamic function.

Correct Answer: (B) Management is all pervasive.

Solution:

Concept:

- Management is all pervasive: its activities are required in all types of organisations, whether economic, social or political.
- The way management is practised may differ with the organisation, but the need to manage is

common to them all.

Step 1: Read the scope described The statement says management activities are 'common to all organisations whether economic, political or social'. Its focus is the universal presence of management across different types of organisations. This is the all-pervasive feature.

Step 2: Distinguish the remaining features Multidimensional management concerns managing work, people and operations. A continuous process refers to ongoing interrelated functions. A dynamic function adapts to changes in the environment. None of these primarily describes management being needed in every kind of organisation.

Step 3: Conclusion The feature is that Management is all pervasive. Hence, the correct option is (B).

Quick Tip to Solve: When a question lists many kinds of organisations, look for all pervasive; when it stresses repeated functions, look for continuous process.

8. Which of the following is NOT a factor affecting 'financing decision' ? [1 mark]

(A) Fixed operating costs

(B) Cash flow position

(C) Control considerations

(D) Diversification

Correct Answer: (D) Diversification

Solution:

Concept:

- Financing decision concerns the proportion of debt and equity used to raise long-term funds for a business.
- Its factors include cost, risk, floatation costs, cash flow position, fixed operating costs, control considerations and the state of the capital market.

Step 1: Identify the factor outside the decision Diversification concerns the spread of business activities or investments. It is not listed as a factor affecting the financing decision in this classification.

Step 2: Check the remaining alternatives Fixed operating costs affect the capacity to bear fixed financial charges; cash flow position affects the ability to repay debt; and control considerations matter because issuing equity may dilute ownership. Thus (A), (B) and (C) all affect the financing decision.

Step 3: Conclusion Diversification is not a factor affecting the financing decision. Hence, the correct option is (D).

Quick Tip to Solve: For a financing-decision MCQ, ask how each factor changes the choice between debt and equity.

9. 'Vanguard Inc.', a company manufacturing footwear for men, women and children has been earning consistent profits for the last many years. It has a democratic style of working. Workers are encouraged to develop and carry out plans for improvement in the organisation. Varun who is working in the production department gave a suggestion which resulted in 10% reduction in the cost of production of shoes. He was rewarded for his suggestion. Identify the principle of management followed by 'Vanguard Inc.' in the above case : [1 mark]

(A) Esprit De Corps

(B) Subordination of Individual Interest to General Interest

(C) Initiative

(D) Equity

Correct Answer: (C) Initiative

Solution:

Concept:

- Initiative means thinking out and executing a plan for improvement. Fayol advised managers to encourage employees to develop and carry out their plans.
- Encouragement and suitable rewards can make employees more willing to contribute useful ideas.

Step 1: Connect the case to the principle Workers are encouraged to 'develop and carry out plans for improvement'. Varun's suggestion reduced production cost by 10%, and he was rewarded. These details directly show initiative.

Step 2: Eliminate the other principles Esprit de corps stresses team spirit and unity; subordination of individual interest stresses placing organisational interest above personal interest; and equity stresses kindness and justice in employee treatment. None specifically describes encouraging and rewarding an improvement plan.

Step 3: Conclusion Vanguard Inc. follows the principle of Initiative. Hence, the correct option is (C).

Quick Tip to Solve: An employee proposing and carrying out an improvement plan is the clearest clue to initiative.

10. Naman and Vineet were childhood friends and both were working in 'Sunshine Crockery.' Naman was working as the Chief Executive Officer while Vineet was the Production Manager. They would generally discuss company related issues over lunch-time or while travelling together.

The company had recently received an order for supply of 5,000 dinner sets from Shaurya Hotel. It was an unexpected order and would increase the revenue of the company. This order was communicated by Naman to Vineet over intercom. Vineet executed the order within the given time period. For this, he was appreciated by Naman.

The type of communication used by Naman to communicate the order to Vineet was : [1 mark]

(A) Formal Communication

(B) Informal Communication

(C) Online Communication

(D) Visual Communication

Correct Answer: (A) Formal Communication

Solution:

Concept:

- Formal communication follows the officially established authority relationships and channels of an organisation.
- Informal communication arises from social relationships and personal contact, independently of the prescribed organisational channels.

Step 1: Identify the particular message asked about The question asks about the order, not the friends' lunch-time discussions. Naman, the CEO, communicated the order to Vineet, the Production Manager, 'over intercom'. This is an official instruction from a superior to a subordinate.

Step 2: Distinguish the alternatives Their casual discussions may be informal, but the production order is formal communication. An intercom call is not necessarily online communication, and the order was spoken rather than conveyed through a visual display. Therefore (B), (C) and (D) do not describe this message.

Step 3: Conclusion The order was conveyed through Formal Communication. Hence, the correct option is (A).

Quick Tip to Solve: Classify the message by its official purpose and authority channel, rather than by the friendship of the people involved.

11. Choose the incorrect statement about 'Money market' : [1 mark]

(A) The main instruments traded in this market are Treasury bills, Trade bills, Commercial paper and Certificates of deposit.

(B) In this market, transactions entail huge sums of money as the instruments are quite expensive.

(C) Participation in this market is by and large undertaken by institutional participants such as the Reserve Bank of India, banks, financial institutions and finance companies.

(D) It deals in medium and long term securities.

Correct Answer: (D) It deals in medium and long term securities.

Solution:

Concept:

- The money market is a market for short-term funds, dealing in monetary assets with a maturity of up to one year.
- Its principal instruments include Treasury bills, commercial paper, call money, certificates of deposit and commercial or trade bills.

Step 1: Find the statement that contradicts maturity Statement (D) assigns medium- and long-term securities to the money market. Such securities belong to the capital market, whereas the money market deals with short-term funds.

Step 2: Verify why the other statements are not chosen The instruments in (A) are money-market instruments. Transactions commonly involve large amounts, so (B) is correct. Institutional participants such as the RBI, banks and financial institutions dominate this market, making (C) correct as well. The question asks for the incorrect statement.

Step 3: Conclusion The incorrect statement is that the money market deals in medium- and long-term securities. Hence, the correct option is (D).

Quick Tip to Solve: Use maturity as the first test: up to one year points to the money market; longer periods point to the capital market.

12. _____ means doing the task correctly and with minimum cost. [1 mark]

(A) Efficiency

(B) Effectiveness

(C) Management

(D) Coordination

Correct Answer: (A) Efficiency

Solution:

Concept:

- Efficiency means doing a task correctly with minimum cost and the best possible use of available resources.
- Effectiveness means completing the task and achieving the desired objective; it focuses on the end

result.

Step 1: Identify the cost-based clue The words 'doing the task correctly and with minimum cost' emphasise the relationship between inputs and outputs. Avoiding wastage and using fewer resources to obtain the required output indicate efficiency.

Step 2: Compare the remaining terms Effectiveness concerns achieving the target, even though it does not itself establish minimum cost. Management is the broader process of planning, organising, staffing, directing and controlling. Coordination integrates the activities of different people or departments. Hence (B), (C) and (D) are not the precise term defined.

Step 3: Conclusion Efficiency means doing the task correctly and with minimum cost. Hence, the correct option is (A).

Quick Tip to Solve: Associate efficiency with resource use and cost; associate effectiveness with achievement of the target.

13. Match the terms given in Column-I with their meaning in Column-II.

	Column-I		Column-II
a.	Trademark	(i)	A name, term, sign, symbol, design or some combination of them used to identify the products and differentiate them from the competitors.
b.	Brand name	(ii)	A brand or a part of the brand that is given legal protection.
c.	Brand	(iii)	That part of the brand which can be recognised but which is not utterable.
d.	Brand mark	(iv)	That part of the brand which can be spoken.

Choose the correct option from the following : [1 mark]

(A) a-(i), b-(ii), c-(iii), d-(iv)

(B) a-(ii), b-(iii), c-(i), d-(iv)

(C) a-(ii), b-(iv), c-(i), d-(iii)

(D) a-(ii), b-(i), c-(iv), d-(iii)

Correct Answer: (C) a-(ii), b-(iv), c-(i), d-(iii)

Solution:

Concept:

- A brand identifies and differentiates a product; it can combine a name, term, sign, symbol or design.
- A brand name is the spoken part, a brand mark is the recognisable but unutterable part, and a trademark is the legally protected brand or part of it.

Step 1: Match each term with its definition Trademark matches legal protection, so a–(ii). Brand name is the part that can be spoken, so b–(iv). Brand is the complete identifying combination, so c–(i). Brand mark is recognisable but cannot be uttered, so d–(iii).

Step 2: Check the option sequences Only (C) has all four matches. Option (A) mismatches every term. Option (B) wrongly treats the brand name as unutterable and brand mark as spoken. Option (D) interchanges the meanings of brand and brand name, although its trademark and brand-mark matches are correct.

Step 3: Conclusion The correct matching is a–(ii), b–(iv), c–(i), d–(iii). Hence, the correct option is (C).

Quick Tip to Solve: Remember: name is spoken, mark is recognised, trademark is legally protected, and brand is the overall identity.

14. 'Since business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources, it becomes difficult to comprehend at once what exactly constitutes a given environment.' Thus it is relatively easier to understand the environment in parts but difficult to grasp in its totality. Identify the feature of business environment highlighted above : [1 mark]

(A) Uncertainty

(B) Complexity

(C) Relativity

(D) Dynamic nature

Correct Answer: (B) Complexity

Solution:

Concept:

- Complexity means that the business environment consists of numerous interrelated forces which are difficult to understand as a whole.
- Uncertainty concerns predicting future events; relativity concerns differences across countries or regions; dynamic nature concerns continuous change.

Step 1: Use the strongest evidence in the passage The environment is described as 'numerous interrelated and dynamic conditions or forces' and as easier to understand 'in parts' than 'in its totality'. The difficulty of grasping all the interacting forces together establishes complexity.

Step 2: Separate the distracting features Uncertainty would stress unpredictability, while relativity would compare environments in different places. Dynamic nature is mentioned, but the main emphasis is not simply change; it is the difficulty of comprehending many interrelated conditions together. Thus (A), (C) and (D) do not capture the highlighted feature.

Step 3: Conclusion The feature highlighted is Complexity. Hence, the correct option is (B).

Quick Tip to Solve: When many interacting forces are easier to understand separately than together, identify complexity.

15. As per Plastic Waste Management Rule 2022, single use plastic items were prohibited in Delhi from 1st July, 2022. The dimension of business environment referred to here is _____. [1 mark]

(A) Economic environment

(B) Legal environment

(C) Technological environment

(D) Political environment

Correct Answer: (B) Legal environment

Solution:

Concept:

- The legal environment consists of laws, rules, regulations and administrative orders within which a business must operate.
- A prohibition imposed under a specified rule directly changes what firms are legally permitted to sell or use.

Step 1: Identify the decisive clue The case says, 'As per Plastic Waste Management Rule 2022', single use plastic items were prohibited. The named rule makes this a binding legal restriction; firms must comply with it while conducting their activities.

Step 2: Distinguish the other dimensions The economic environment concerns income, interest rates and similar economic conditions. The technological environment concerns new techniques and processes. The political environment concerns political stability and government attitudes; although government makes rules, the specific enforceable prohibition here belongs to the legal environment.

Step 3: Conclusion The dimension is the legal environment. Hence, the correct option is (B).

Quick Tip to Solve: When a case names a law, rule or binding prohibition, classify the immediate influence as legal environment.

16. Which of the following is the function of Top level management ? [1 mark]

(A) They ensure that their department has the necessary personnel.

(B) They interact with the actual work force and pass on instructions of the middle management to the workers.

(C) They co-operate with other departments for smooth functioning of the organisation.

(D) They analyse the business environment and its implications for the survival of the firm.

Correct Answer: (D) They analyse the business environment and its implications for the survival of the firm.

Solution:

Concept:

- Top-level management is responsible for the organisation as a whole, including its long-term survival, overall objectives and strategy.
- It analyses the business environment and assesses the implications of external opportunities and threats for the enterprise.

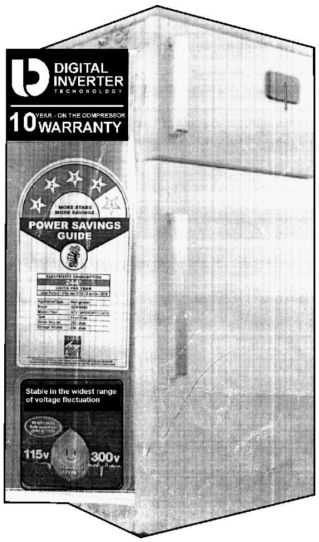
Step 1: Match the organisation-wide responsibility Analysing the business environment and its implications for the survival of the firm requires an overall strategic perspective. This is a function of top-level management, which decides the direction in which the whole enterprise should move.

Step 2: Eliminate departmental and supervisory duties Ensuring that a department has the necessary personnel, as in (A), and cooperating with other departments, as in (C), are middle-management functions. Passing the instructions of middle management to the actual workforce, as in (B), is the function of supervisory or operational management.

Step 3: Conclusion Top-level management analyses the business environment and its implications for the survival of the firm. Hence, the correct option is (D).

Quick Tip to Solve: Look for the scope of the duty: survival and overall strategy indicate top management; departments indicate middle management.

17. Identify from the following – what is shown in the picture of refrigerator given below ? [1 mark]



Refrigerator

(A) Brand name

(B) Brand mark

(C) Trademark

(D) Label

Correct Answer: (D) Label

Solution:

Concept:

- Labelling means putting an identifying and informative tag or piece of information on a product or its package.
- A label can describe product features, performance, use and other information useful to the buyer; it need not be merely the product name.

Step 1: Read what the refrigerator displays The refrigerator carries information such as the warranty and the POWER SAVINGS GUIDE. These details describe characteristics and performance of the product. Such information attached to the product is a label.

Step 2: Distinguish the branding terms A brand name is the pronounceable part of a brand, while a brand mark is a recognisable symbol or design. A trademark is a brand or part of a brand given legal protection. The question highlights the informative material on the refrigerator, rather than a name, symbol alone or evidence of legal registration.

Step 3: Conclusion The picture shows a label on the refrigerator. Hence, the correct option is (D).

Quick Tip to Solve: Product information such as warranty, energy use and operating details points to labelling rather than merely naming a brand.

18. 'Kanand Ltd.' is an automobile manufacturing company started in 2014 under 'Make in India' initiative of the Government of India. Expecting higher growth in future, it developed higher capacity in the current year taking advantage of the subsidies provided by the government. This would enable 'Kanand Ltd.' to meet anticipated higher demand quickly, For this, 'Kanand Ltd.' invested large amounts in fixed assets leading to higher requirements of fixed capital. Identify the factor affecting fixed capital requirements which 'Kanand Ltd.' kept in mind to meet higher anticipated demand quicker. [1 mark]

(A) Scale of operations

(B) Nature of business

(C) Diversification

(D) Growth prospects

Correct Answer: (D) Growth prospects

Solution:

Concept:

- Fixed capital is invested in long-term assets such as plant and machinery. Its requirement depends in part on the growth prospects of the enterprise.
- A firm expecting higher future demand may install additional capacity now, increasing its present fixed-capital requirement.

Step 1: Link the case evidence to future expansion Kanand Ltd. is 'Expecting higher growth in future' and developed higher capacity so that it could 'meet anticipated higher demand quickly'. Investment is therefore being made now in anticipation of future expansion. The relevant factor is growth prospects.

Step 2: Separate the competing factors Scale of operations refers to the size or volume of present operations, while nature of business distinguishes asset needs of manufacturing, trading and other activities. Diversification means entering new products or business lines. The case does mention manufacturing, but the particular reason for adding capacity is expected growth, not a change in business nature or diversification.

Step 3: Conclusion The factor affecting fixed-capital requirements is growth prospects. Hence, the correct option is (D).

Quick Tip to Solve: Capacity installed now to meet demand expected in future is the clue for growth prospects.

19. Which of the following is not an element of social environment ? [1 mark]

(A) Composition of family

(B) Consumption habits

(C) Rates of saving and investment

(D) Educational system and literacy rates

Correct Answer: (C) Rates of saving and investment

Solution:

Concept:

- The social environment includes social institutions, values, customs, family patterns, consumption habits and educational conditions.
- The economic environment includes economic conditions such as rates of saving and investment, which influence the availability and use of funds.

Step 1: Identify the economic element Rates of saving and investment concern the proportion of income saved and resources committed to productive activity. These are economic conditions, so they are not an element of the social environment.

Step 2: Check the remaining alternatives Composition of family is a social institution and influences needs and buying decisions. Consumption habits reflect social practices and preferences. The educational system and literacy rates indicate social development. Thus (A), (B) and (D) all belong to the social environment and cannot answer the negative wording of the question.

Step 3: Conclusion Rates of saving and investment are not an element of the social environment. Hence, the correct option is (C).

Quick Tip to Solve: For a negative question, first classify every choice; saving and investment belong to economic conditions.

20. Statement-I : Motivation can be either positive or negative.

Statement-II : Motivation is a complex process as the individuals are heterogeneous in their expectations, perceptions and reactions.

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:

- Motivation stimulates people to take action to achieve desired goals. It may use positive incentives or negative consequences.

- Motivation is complex because different people have different needs, expectations, perceptions and reactions; the same incentive may not motivate everyone equally.

Step 1: Evaluate Statement-I Statement-I is true. Positive motivation uses rewards such as recognition or promotion to encourage desired behaviour. Negative motivation uses fear of undesirable consequences, such as a warning or punishment, to influence behaviour. Hence motivation can be either positive or negative.

Step 2: Evaluate Statement-II and select the combination Statement-II is also true. Individuals are heterogeneous: their expectations, perceptions and reactions differ. Management must understand these differences rather than assume that one incentive works identically for all. Option (A) wrongly rejects Statement-II, (B) wrongly rejects Statement-I, and (D) wrongly rejects both.

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

Quick Tip to Solve: Judge each statement separately: motivation may reward or deter, and individual differences make the process complex.

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21. 'Caro', a car manufacturing company was manufacturing high cost, good quality luxury cars. For the last few years, the company was not earning good profits as the demand for the cars was very low. Chief Executive Officer of the company, Piyush had a meeting with the Production and Sales Managers to discuss how to increase the revenue of the company. They found that nowadays instead of purchasing luxury cars people prefer to have such cars on rental basis. So they decided to start 'Car rental service'. The Production Manager also suggested that as these cars were sophisticated and each spare part was very costly it would be better to provide these cars for rental service along with trained drivers so that there would be less wear and tear. Piyush agreed and a training unit was started. Two of the available cars were used for training the drivers. People were very happy as they were getting these cars on rental basis with trained drivers. The idea was a big hit and the company was able to surpass its profit targets of the last 20 years.

(a) Identify and explain the method of training given by 'Caro' to its drivers.

(b) Also, state any two advantages the drivers will get after this training. [3 marks]

Solution:

Concept:

- Training is the systematic process of increasing an employee's knowledge and skills for doing a particular job efficiently and safely.
- Vestibule training is an off-the-job method in which employees learn on the equipment they will use at work, but in a separate training environment that resembles the actual workplace.

Step 1: Identify and explain the training method **(a) Vestibule training:** Caro started a separate training unit and used two of its available cars to train the drivers. The decisive evidence is: 'a training unit was started' and 'Two of the available cars were used for training the drivers.' Drivers therefore practise on the same kind of sophisticated equipment they will operate, away from normal rental-service operations. This method is appropriate when the equipment is expensive or sophisticated and

mistakes during ordinary work may cause costly damage. It lets drivers gain practical familiarity with the cars before serving customers.

Step 2: State two benefits to the drivers

- **Improved skills and career growth:** Training improves the drivers' knowledge and ability to handle sophisticated cars. Better competence equips them for more responsible work and improves their prospects of career advancement.
- **Greater safety:** Drivers learn correct operating procedures and how to handle the cars carefully. This reduces the likelihood of accidents at work and makes their working conditions safer.

Step 3: Conclusion Caro uses vestibule training. For the drivers, two advantages are better skills and career prospects, and improved safety through fewer accidents.

Quick Tip to Solve: Look for a separate training unit using the actual type of equipment: this identifies vestibule training. When benefits to employees are asked, focus on their careers and safety rather than the employer's profits.

22. State any three protective functions of 'Securities and Exchange Board of India'. [3 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) protects investors' interests and promotes a fair, orderly securities market.
- Its protective functions address misconduct and information disadvantages that can harm investors. These are distinct from merely registering intermediaries or developing market infrastructure.

Step 1: State measures against unfair trading

- **Prohibiting fraudulent and unfair trade practices:** SEBI prohibits practices such as misleading statements, price rigging and market manipulation. Such practices can create artificial prices or induce investors to make decisions on false information. Preventing them protects investors against dishonest dealings in the securities market.
- **Prohibiting insider trading:** SEBI acts against trading based on unpublished price-sensitive information available to company insiders. An insider's privileged access must not be used to gain an unfair advantage over ordinary investors who do not possess that information.

Step 2: State the investor-education function

- **Educating investors:** SEBI undertakes measures to educate investors about securities-market dealings, risks, rights and precautions. Better-informed investors can evaluate investment proposals more carefully, avoid misleading promises and exercise their rights effectively. This protects them before a loss occurs rather than relying only on action after misconduct.

Step 3: Conclusion Three protective functions are prohibiting fraudulent and unfair trade practices, prohibiting insider trading, and undertaking investor education.

Quick Tip to Solve: Link a protective function to an investor's risk: manipulation, misuse of confidential information, or lack of knowledge. Do not substitute registration of brokers for these protective functions.

23. 'Cortico Fabrics' was started by Ashish in 2001 to sell bed sheets, towels, comforters, pillows, cushions, bath mats etc. It is now a famous name and its branches are across India. To manage the work all over India, it has eight teams-two each for North, South, East and West India. Ashish spends a considerable amount of time to develop an orderly pattern of group efforts among different teams and to secure unity of action in pursuit of a common purpose.

To ensure suitable allocation of tasks to the various members of the teams and to see that the tasks are performed with harmony among the members, he tries to balance the different teams at different locations.

(a) Identify and explain the concept of management discussed in the above para.

(b) Also, explain any one point of importance of the concept identified in (a) above. [3 marks]

Solution:

Concept:

- Coordination is the process by which a manager synchronises the activities of different departments or groups to bring unity of action towards organisational goals.
- Coordination is the essence of management: it integrates individual and group efforts so that their results contribute to a common purpose rather than conflicting with one another.

Step 1: Identify and explain the concept **(a) Coordination:** The case says that Ashish develops 'an orderly pattern of group efforts among different teams' and secures 'unity of action in pursuit of a common purpose.' These expressions identify coordination. It binds the efforts of the eight regional teams together, arranges their tasks harmoniously and ensures that their separate activities serve Cortico Fabrics' overall objectives. Suitable allocation alone is not the whole idea: Ashish also balances the teams and ensures harmony in the performance of their tasks.

Step 2: Explain its importance as the business grows **(b) Growth in size:** Coordination becomes essential as an organisation expands and employs more people at different locations. Individuals and groups may develop their own interests, working methods and priorities; their independent efforts do not automatically produce a common result. Here, the firm has 'branches ... across India' and 'eight teams-two each for North, South, East and West India.' Coordination integrates the efforts of these geographically dispersed teams, reconciles their activities and directs them towards common organisational goals. It prevents duplication, conflicting actions and gaps between their work.

Step 3: Conclusion The concept is coordination. Its importance is evident from Cortico Fabrics' growth in size: the work of eight regional teams must be integrated to achieve unity of action across India.

Quick Tip to Solve: The phrases 'group efforts', 'harmony' and 'unity of action' point to coordination. Use expansion and dispersed teams as evidence when explaining its importance due to growth in size.

24. State any three points of importance of staffing function of management. [3 marks]

Solution:

Concept:

- Staffing is the managerial function of finding the right people for the right jobs, developing their abilities and retaining a competent workforce.
- Its importance lies in matching people with work, improving performance and ensuring that competent personnel remain available as the organisation grows.

Step 1: State how staffing obtains competent personnel **Obtaining competent personnel:** Staffing discovers suitable people and selects those whose qualifications, skills and abilities match the requirements of different jobs. This helps put the right person on the right job. The organisation therefore has employees capable of carrying out the duties assigned to them instead of filling vacancies without considering suitability.

Step 2: Explain its contribution to higher performance **Higher performance:** Proper selection places capable employees in appropriate positions, while training develops the knowledge and skills needed for their work. Employees can then perform their duties more effectively. Thus, staffing improves the quality of individual performance and, through it, the performance of the organisation.

Step 3: Explain how staffing supports continuity and growth **Continuous survival and growth:** Staffing develops employees and prepares managers to take up greater responsibilities in future. It provides for succession when existing managers retire, leave or move to other positions. The resulting availability of trained personnel helps the organisation continue its operations and pursue expansion without being held back by a shortage of competent people.

Step 4: Conclusion Three points of importance of staffing are obtaining competent personnel, ensuring higher performance and supporting the continuous survival and growth of the enterprise through development and succession planning.

Quick Tip to Solve: For each staffing benefit, connect a staffing activity such as selection or training to its organisational result; do not merely list the activities.

25. Inspired by the success of Chandrayaan-3, the Chief Scientist at 'Space Rover' a private research group, decided to send some innovative ideas regarding the mission to the Chief Scientist of Chandrayaan-3.

The Chief Scientist at 'Space Rover' formed four groups for the same. As it was an intellectual activity of thinking rather than doing, these four groups started' interacting with each other and friendships developed. On the basis of their interaction and friendship, some members from each group formed 'Entertainment Through Reading' group which showed conformity in terms of their interest. 'Entertainment Through Reading' group had no written rules, was unstable in form and scope and had no fixed lines of communication. The members of this group enhanced the morale of each other, enjoyed drinking coffee together, read books, served different issues of their work areas and provided support to each other. Ultimately this group developed some innovative ideas which were sent by 'Space Rover' to the Chief Scientist of Chandrayaan-3. Though this group was formed for recreation but it contributed towards fulfillment of organisational objectives.

(a) Identify and explain the type of organization which emerged as 'Entertainment Through Reading'.

(b) State any three advantages of the type of organisation identified in (a) above. [4 marks]

Solution:

Concept:

- Informal organisation is the network of social relationships that arises spontaneously from interaction among people at work, rather than from a deliberate managerial design.
- It can complement the formal organisation by permitting faster communication, satisfying social needs and helping employees work towards organisational objectives.

Step 1: Identify and explain the organisation in part (a) **Informal organisation:** 'Entertainment Through Reading' is an informal organisation. The case says that it arose "on the basis of their interaction and friendship", and that members shared an interest in reading. Such a network emerges spontaneously as employees interact socially; management does not prescribe it as part of the official authority structure. The statements that it "had no written rules" and "had no fixed lines of communication" also show that it was informal. Its membership and relationships depend on personal ties rather than assigned posts.

Step 2: State the advantage of faster communication in part (b) **Faster spread of information and quick feedback:** Informal organisation does not depend on prescribed lines of communication. Information can pass freely through personal contacts, allowing faster communication and feedback. Here, the group "had no fixed lines of communication", so members could exchange their views without following a formal chain of authority. This facilitates discussion across the four formally created groups.

Step 3: Explain how the group satisfies social needs **Fulfilment of social needs:** Informal organisation provides friendship, acceptance and a sense of belonging that a formal work structure alone may not supply. In the case, members "enhanced the morale of each other" and "enjoyed drinking coffee together". Their companionship and mutual support help satisfy these social needs and can improve their satisfaction at work.

Step 4: Explain its contribution to organisational objectives **Contribution to organisational objectives:** Informal relationships can make up for gaps in the formal organisation and encourage cooperation among employees. The case states that, although the group was formed for recreation, it "contributed towards fulfillment of organisational objectives". Members developed innovative ideas which were sent to the Chief Scientist of Chandrayaan-3. Their voluntary interaction therefore supported the research group's formal purpose.

Step 5: Conclusion 'Entertainment Through Reading' is an informal organisation arising from friendship and shared interests. Its advantages include faster communication and feedback, fulfilment of members' social needs, and support for the achievement of organisational objectives.

Quick Tip to Solve: Friendship-based groups with unwritten rules indicate informal organisation. Explain each advantage separately and link it to a specific line in the case.

26. Kewalram started a sweets shop 'Karamati Sweets' in 1950. The sweets were famous all over India for their good quality and people would come from far and wide to purchase sweets from him. As he grew old, he could no longer run the shop. So, he sold the shop to one of his neighbours 'Bholaram'. After a few months, to further increase the revenue, 'Bholaram' started engaging in unfair trade practices like using adulterated khoya and paneer. He thought that no one would know about it as 'Karamati Sweets' had a good image in the eyes of the people.

Slowly, people started falling sick after consuming sweets purchased from 'Karamati Sweets' but they did not know where to go and to whom to complain. Raghav, a resident of the village had recently completed his studies. He was also a member of a non-governmental organisation, 'Meri Voice'. He felt that the villagers should be made aware about the rights and reliefs available to them. He started creating awareness about consumer rights among the villagers to protect their interest through a series of talks and presentations in the village.

(a) Identify and explain the consumer right discussed in the above para.

(b) Also, identify and explain the consumer right violated by 'Bholaram' in the above case. [4 marks]

Solution:

Concept:

- Consumer protection gives consumers rights that protect their interests and enable them to make informed choices and seek remedies.
- The right to consumer education concerns knowledge about consumer rights and available reliefs; the right to safety protects consumers against goods and services hazardous to life and health.

Step 1: Identify the right promoted by Raghav **(a) Right to consumer education:** Raghav is promoting this right. The case states that he "started creating awareness about consumer rights among the villagers" through talks and presentations. This directly concerns educating consumers so that they can protect their own interests.

Step 2: Explain the right to consumer education A consumer has the right to acquire knowledge and to be a well-informed consumer throughout life. Consumers should know their rights, the reliefs available to them and the redressal machinery through which complaints can be made. Here, the villagers "did not know where to go and to whom to complain"; Raghav's awareness programme helps remove precisely this lack of knowledge. Education enables them to recognise exploitation and take appropriate action.

Step 3: Identify and explain the right violated by Bholaram **(b) Right to safety:** This right protects consumers against the marketing of goods and services that are hazardous to life and health. Bholaram used "adulterated khoya and paneer", and people "started falling sick after consuming sweets". The direct danger to their health shows violation of the right to safety. Consumers are entitled to safe food; the old reputation of the shop cannot justify selling adulterated sweets or exposing customers to harm.

Step 4: Conclusion Raghav's talks and presentations promote the **right to consumer education**. Bholaram's sale of adulterated sweets violates the **right to safety**, as the sweets harm consumers' health.

Quick Tip to Solve: Link awareness of rights and remedies to consumer education; link adulteration or danger to health to the right to safety.

27(a). State any four points of importance of planning function of management. [4 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It sets objectives and determines the course of action needed to attain them.
- Planning is important because it directs effort, prepares the organisation for uncertainty, avoids wasteful activity and establishes standards for control.

Step 1: State how planning directs and prepares the organisation **1. Planning provides directions:** By clearly stating the objectives and the course of action, planning tells employees what is to be achieved and how they should work. Departments and individuals can coordinate their efforts towards common goals instead of pursuing unrelated activities.

2. Planning reduces the risks of uncertainty: Planning requires managers to look ahead, anticipate possible changes and prepare responses. Forecasting future conditions helps the organisation deal with unexpected events. It cannot eliminate uncertainty, but advance preparation reduces its adverse impact on business operations.

Step 2: State how planning improves efficiency and supports control **3. Planning reduces overlapping and wasteful activities:** Clear plans define the activities to be performed and how different departments should work together. This helps avoid unnecessary duplication, confusion and repeated use of resources for the same work. Activities that do not contribute to objectives can be identified and removed, improving efficiency.

4. Planning establishes standards for controlling: Plans specify the goals or expected results against which actual performance can be compared. Managers can identify deviations from these standards and take corrective action. Without planned targets, there would be no clear basis for judging whether performance is satisfactory.

Step 3: Conclusion Four points of importance are that planning provides directions, reduces the risks of uncertainty, reduces overlapping and wasteful activities, and establishes standards for controlling.

Quick Tip to Solve: Use four distinct NCERT headings, then explain the practical benefit of each; do not present two versions of the same benefit as separate points.

OR

27(b). Explain the following types of plans :

(i) Objective

(ii) Programme [4 marks]

Solution:

Concept:

- Planning involves deciding in advance what to do and how to do it. Different types of plans serve different purposes: objectives specify the desired end, while programmes organise the activities needed to carry out a project.
- Objectives guide decisions and provide a standard for judging results. A programme is a detailed, coordinated plan that brings together several supporting plans.

Step 1: Explain an objective **(i) Objective – desired end result:** An objective is the end result that management seeks to achieve through its operations. It states what the organisation wants to accomplish and gives a direction to the efforts of departments and employees. Objectives are generally set by top management and serve as the basis for the preparation of other plans.

Clear and measurable targets: Objectives should be expressed in specific and measurable terms, preferably within a stated time. For example, an enterprise may aim to increase sales by 10 per cent during the next year. This target guides the sales department's plans and enables management to compare actual sales with the intended result.

Step 2: Explain a programme **(ii) Programme – detailed plan for a project:** A programme is a detailed statement about a project, outlining its objectives, policies, procedures, rules, tasks, and the human and physical resources required to implement it. It combines these elements so that the various activities contribute to the same purpose.

Coordinated implementation: A programme indicates the activities to be undertaken, who will perform them, their sequence and the time required. It may also include a budget showing the resources and expenditure involved. For example, a programme for opening a new branch would coordinate selection of premises, recruitment, equipment, publicity and the opening schedule.

Step 3: Conclusion An objective defines the result to be achieved; a programme provides a detailed and coordinated arrangement of the tasks, resources and supporting plans needed to carry out a project.

Quick Tip to Solve: Remember objective as the destination and programme as the organised package of activities for a project. Explain each term before giving its example.

28. Differentiate between 'Product Concept' and 'Societal Marketing Concept' of marketing management philosophies on the basis of :

(a) Meaning

(b) Main focus

(c) Means

(d) Ends [4 marks]

Solution:

Concept:

- Marketing management philosophies differ in what they regard as the key to business success. The product concept emphasises the quality and performance of the product offered to buyers.
- The societal marketing concept extends customer satisfaction to include the long-term well-being of consumers and society. It seeks a balance between company profits, consumer needs and social interests.

Step 1: Identify the approach of each philosophy Under the product concept, managers believe that consumers favour products offering superior quality, performance and features. Their attention therefore centres on making better products. Under the societal marketing concept, merely satisfying immediate consumer wants is insufficient if doing so harms society's long-term welfare. The firm must satisfy the target market more effectively than competitors while safeguarding consumer and social well-being.

Step 2: Compare the four specified bases

Basis	Product Concept	Societal Marketing Concept
(a) Meaning	Consumers favour products offering the best quality, performance and innovative features; superior products are considered the key to success.	The firm determines target customers' needs and satisfies them efficiently while preserving or enhancing consumers' and society's long-term well-being.
(b) Main focus	Quality of the product.	Customer needs and society's well-being.
(c) Means	Continuous product improvement, such as better quality, features and performance.	Integrated marketing activities, including attention to ecological, ethical and social considerations.
(d) Ends	Profits through product quality.	Profits through customer satisfaction and social welfare.

Step 3: Conclusion The product concept seeks profit by improving product quality. The societal marketing concept seeks profit through satisfying customers in a way that also protects society's long-term welfare.

Quick Tip to Solve: Keep focus, means and ends separate: product quality is the product concept's focus, improvement its means, and profit its end. Add long-term social welfare for societal marketing.

29. A Business Process Outsourcing centre, 'Chromosome' which deals in conversion of voice reports dictated by physicians and other healthcare providers into text format has 40 employees. They ensure that their employees are well versed in at least one foreign language and one Indian language. The employees are also given the required training to ensure that the reports are processed correctly as they are the backbone of the patients' medical history. On frequent complaints about some of its employees, it was observed that they were facing problems in decoding the message as they were not very proficient with the language in which the voice message was received. As a result, they would make mistakes causing different meaning to the message. Not only this, sometimes there were technical words used in voice reports, the actual meaning of which was also not understood by the employees. Due to this, 'Chromosome' was slowly losing its business to competitors.

The above case highlights two communication barriers. Identify and explain these barriers. [4 marks]

Solution:

Concept:

- Communication is effective when the receiver decodes a message in the meaning intended by the sender. Semantic barriers arise from difficulties in the meanings of words and symbols used in communication.
- Badly expressed messages and technical jargon are semantic barriers. Incorrect use or inadequate knowledge of language can distort a message, while specialised vocabulary can be unintelligible to a receiver unfamiliar with it.

Step 1: Identify and explain badly expressed messages **Badly expressed message:** The employees were "not very proficient with the language in which the voice message was received" and would "make mistakes causing different meaning to the message". These lines identify the first semantic barrier. Inadequacy of vocabulary, incorrect use of words, omissions, or badly chosen words can prevent a message from conveying the intended meaning. Here, insufficient command of the language produces inaccurate decoding and expression of the dictated report in text. The resulting written message therefore conveys a meaning different from the physician's intended message. This is especially serious because these reports form the patient's medical history.

Step 2: Identify and explain technical jargon **Technical jargon:** The case states that "there were technical words used in voice reports, the actual meaning of which was also not understood by the employees". Specialists use technical terms to communicate accurately within their field. However, a receiver who does not understand those specialised terms cannot interpret the message correctly. In this case, the physicians' medical terminology is unfamiliar to some employees. Even when they can hear the words, their lack of understanding of the terms prevents accurate conversion of the voice report into a meaningful written report. The barrier concerns specialised vocabulary, separately from general proficiency in the language.

Step 3: Conclusion The two barriers are **badly expressed messages** and **technical jargon**, both semantic barriers. The first is evidenced by language-related mistakes changing the message's meaning; the second is evidenced by the employees' inability to understand technical medical words.

Quick Tip to Solve: Match each case clue to a distinct barrier: a language mistake that changes meaning signals a badly expressed message; unfamiliar specialist terminology signals technical jargon.

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

(i) Customer support services

(ii) Physical distribution [4 marks]

Solution:

Concept:

- Marketing includes activities that create customer satisfaction and make products available for use. It continues after the sale through support provided to customers.
- Customer support services improve the customer's experience of the product, while physical distribution moves the product from its place of production to the customer at the required place and time.

Step 1: Explain customer support services **Customer support services:** These are services provided to assist customers in purchasing and using the product satisfactorily. They include after-sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services and consumer information. For example, installation guidance or assistance with a complaint helps the customer obtain the expected benefit from the purchase.

Importance: Such services help develop brand loyalty and encourage repeat sales. By meeting customer needs and resolving difficulties, the business improves satisfaction and strengthens its relationship with customers. They are therefore a marketing function, rather than an activity that ends as soon as the sale is completed.

Step 2: Explain physical distribution **Physical distribution:** This involves the physical movement of goods from the place of production to the place where consumers need them. A product must be available at the right place and at the right time for a sale to be completed and the customer's need to be met. It includes transportation, warehousing, inventory control and order processing.

Main decisions: The marketer decides which channels of distribution to use, including the types of intermediaries involved, and how goods will actually move through those channels. Transportation moves goods between locations; warehousing stores them until required; inventory control maintains suitable stocks; and order processing ensures that customers' orders are handled and supplied accurately. Coordination of these activities makes the product accessible to customers while controlling distribution costs.

Step 3: Conclusion Customer support services assist and satisfy customers through services such as maintenance, technical help and complaint handling. Physical distribution ensures that goods physically reach customers through suitable channels and coordinated transport, storage, inventory and order-processing arrangements.

Quick Tip to Solve: For customer support, explain assistance and loyalty; for physical distribution, explain availability and name transport, warehousing, inventory control and order processing.

OR

30(b). State any four factors which affect the fixation of price of a product. [4 marks]

Solution:

Concept:

- Price is the amount paid by a buyer for a product or service. Price determination must consider the firm's costs as well as market conditions and the value buyers attach to the product.
- NCERT identifies product cost, utility and demand, competition, government and legal regulations, pricing objectives, and marketing methods as factors influencing price. Any four can be stated.

Step 1: State the cost and demand factors

- **Product cost:** The cost of producing, distributing and selling a product affects its price. In the long run, the price should recover the total costs, including fixed and variable costs, and provide a reasonable profit margin. Cost thus provides an important basis for deciding the minimum sustainable price.
- **Utility and demand:** The usefulness buyers perceive in a product and the intensity of demand influence what they are willing to pay. A buyer generally pays only when the perceived utility is at least equal to the price. Price-sensitive demand limits the scope for raising price, while less elastic demand provides greater pricing freedom.

Step 2: State the competition and regulation factors

- **Extent of competition in the market:** The nature and degree of competition, competitors' prices, and the quality and features of competing products affect the price a firm can charge. Strong competition usually restricts pricing freedom because buyers can switch to competing products.
- **Government and legal regulations:** Government may regulate prices to protect consumers and prevent unfair practices. Where a maximum price or another legal restriction is prescribed, the firm must fix its price within that restriction rather than solely according to its own commercial preference.

Step 3: Conclusion Four factors affecting fixation of a product's price are **product cost, utility and demand, extent of competition in the market, and government and legal regulations**. Together they explain the cost basis, customers' willingness to pay, competitive limits and legal limits on price.

Quick Tip to Solve: Recall four distinct viewpoints: the firm's costs, the customer's demand, competitors' offers and the government's restrictions. State each as a separate factor.

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

(i) Universal applicability

(ii) Formed by practice and experimentation

(iii) Contingent [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They help managers understand recurring situations involving people and organisational resources.
- They are guidelines rather than rigid scientific laws. Their relevance is widespread, their development is based on experience and testing, and their application depends on the circumstances of a particular situation.

Step 1: Explain universal applicability **Universal applicability:** Management principles can be applied in all types of organisations, whether business or non-business, small or large, and public or private. They are also relevant at different managerial levels because coordination of human effort and resources is needed in each setting. However, their extent and manner of application vary with the nature, size and requirements of the organisation. For example, division of work can improve specialisation both in a factory and in a hospital, although the activities divided will differ. Universal applicability therefore means broad relevance; it does not mean that every organisation applies a principle in an identical way.

Step 2: Explain formation through practice and experimentation **Formed by practice and experimentation:** Management principles have developed from managers' experience, careful observation of repeated situations, and experiments intended to establish workable relationships. Managers observe the consequences of different ways of organising and directing work and formulate useful general guidelines from those observations. Such ideas are then tested and refined through practical application. For example, experience with groups of workers may show that unnecessary divisions of activity cause duplication, whereas an appropriate division of work improves efficiency. Principles are thus grounded in accumulated managerial practice and testing rather than in unsupported personal guesses.

Step 3: Explain contingent application **Contingent:** The application of a management principle depends upon the prevailing situation and organisational requirements. A manager must assess relevant circumstances before deciding how to use a principle; no guideline mechanically guarantees the same outcome in every case. For example, remuneration should be fair to both employees and the organisation, but the amount and form of remuneration depend on factors such as the employer's paying capacity, the employee's contribution and prevailing wage conditions. A change in these conditions may require a change in the way the guideline is applied. Contingency therefore requires managerial judgement and adaptation to the specific situation.

Step 4: Conclusion Management principles have **universal applicability**, because they guide different organisations and managerial levels; they are **formed by practice and experimentation**, because they arise from experience and testing; and they are **contingent**, because their application depends

on the prevailing circumstances.

Quick Tip to Solve: Separate the three ideas: universal answers where principles apply, practice and experimentation explains how they develop, and contingent explains when and how their application must be adapted.

OR

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

(i) Division of work

(ii) Order

(iii) Unity of command [6 marks]

Solution:

Concept:

- Henri Fayol's principles are general guidelines for managerial decisions and behaviour. Division of work, order and unity of command help organise effort and resources effectively.
- Division of work concerns specialisation, order concerns the proper placement of people and materials, and unity of command concerns a clear reporting relationship.

Step 1: Explain division of work **(i) Division of work:** Work should be divided into small, well-defined tasks and assigned to people according to their abilities and qualifications. A person repeatedly performing a particular task develops specialised knowledge, skill and experience. Specialisation therefore increases efficiency and helps produce more and better work with the same effort.

For example, in a manufacturing enterprise, production, sales and accounts work can be assigned to people trained in those activities rather than expecting every employee to perform every task. Fayol applies this principle to managerial as well as technical work. Its purpose is effective specialisation, with the different tasks coordinated towards the organisation's objectives.

Step 2: Explain order **(ii) Order:** There should be a place for everything and everyone, and everything and everyone should be in the assigned place. **Material order** means keeping materials, tools and equipment at suitable, designated locations so that they are available when required. This avoids loss of time and unnecessary movement in searching for them.

Social order means placing the right person in the right job, according to the person's abilities and the job's requirements. Proper placement of both people and materials permits activities to proceed smoothly and efficiently. For example, storing tools at identified workstations and assigning trained operators to the relevant machines help avoid delays and confusion.

Step 3: Explain unity of command **(iii) Unity of command:** Every employee should receive orders from, and be accountable to, only one superior for the work assigned. A single reporting authority makes instructions clear and enables responsibility for performance to be fixed.

If an employee receives instructions from two bosses, their orders may conflict. The employee may be confused about which order to obey, while each superior may try to shift responsibility to the other. Such dual subordination undermines authority, discipline and orderly working. For example, a worker

should report to the designated supervisor instead of receiving contradictory production instructions from two supervisors. This principle concerns one boss for an employee; unity of direction instead concerns one head and one plan for activities with the same objective.

Step 4: Conclusion Division of work raises efficiency through specialisation; order ensures the proper placement of people and materials; and unity of command establishes one superior for each employee, preventing conflicting instructions and unclear accountability.

Quick Tip to Solve: Link the three principles to three questions: Who specialises in the task? Where should people and materials be placed? From whom should the employee receive orders?

32(a). Explain the following factors affecting the working capital requirements of a business :

(i) Inflation

(ii) Business cycle

(iii) Nature of business [6 marks]

Solution:

Concept:

- Working capital finances day-to-day business operations through current assets such as inventories, debtors and cash. Its requirement depends on the amount of funds tied up in the operating cycle.
- Inflation changes the cost of current assets, business-cycle conditions change the scale of operations, and the nature of business determines the usual need for inventories and credit.

Step 1: Explain the effect of inflation **(i) Inflation:** Inflation is a general rise in the price level. When prices rise, a business normally needs more money to buy the same physical quantity of raw materials and other supplies. Higher wage bills and operating expenses can also increase the funds needed for daily operations. Thus, even if the volume of production remains unchanged, the monetary investment in working capital tends to increase.

For example, if a firm's normal stock of inputs becomes more expensive, maintaining that stock requires a larger amount of finance. The actual increase differs across businesses because the prices of their inputs may rise at different rates. The firm must therefore estimate the effect of rising prices on its own purchases and operating payments rather than assume that an unchanged output means an unchanged cash requirement.

Step 2: Explain the effect of the business cycle **(ii) Business cycle:** During a boom, demand for products and sales generally rise. The business expands production and needs larger stocks of raw materials and finished goods. More sales may also increase the amount outstanding from customers. Consequently, more funds are tied up in current assets and the working capital requirement rises.

During a depression, demand and sales decline. Production is usually reduced, so the normal need for stocks and other operating finance is lower. Working capital requirements therefore generally fall. The key link is between the level of business activity and the funds required to support it; the requirement changes as the enterprise responds to the phase of the business cycle.

Step 3: Explain the effect of the nature of business **(iii) Nature of business:** A trading concern generally requires less working capital than a manufacturing concern because it does not have to

process raw materials into finished goods. A manufacturer must finance raw materials, work-in-progress and finished goods through the production process, which normally keeps funds blocked for a longer period.

A service enterprise usually needs comparatively little working capital because it does not normally maintain substantial inventories of raw materials and finished products. For example, a business selling professional services has a different inventory requirement from a factory producing goods. Thus, the operating activities inherent in the business determine how much money must remain invested in current assets. These comparisons assume other relevant conditions are similar; they explain the usual influence of the business type.

Step 4: Conclusion Inflation generally raises the monetary working capital requirement; a boom raises it while a depression generally lowers it; and manufacturing businesses normally need more working capital than trading and service businesses because more funds remain tied up in inventories and production.

Quick Tip to Solve: For each factor, state the direction of its effect and trace the reason to input costs, operating volume or funds tied up in inventories. Do not confuse working capital with spending on fixed assets.

OR

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

(i) Access to capital market

(ii) Legal constraints

(iii) Taxation policy [6 marks]

Solution:

Concept:

- A dividend decision determines how much of the profit available for shareholders is distributed as dividend and how much is retained in the business for future requirements.
- Retained earnings are an internal source of finance. The decision therefore balances shareholders' desire for current income with the company's need to finance its activities and growth.

Step 1: Explain access to the capital market **Access to capital market:** A large, well-established company with a good reputation can generally raise funds from the capital market more easily than a smaller or less-known company. Since it can obtain external finance when required, it can afford to distribute a relatively higher proportion of its earnings as dividend.

A company with limited access to the capital market has to depend more on its retained earnings. It is consequently likely to retain a greater portion of its profits and pay a relatively lower dividend. Thus, easier access reduces the need to preserve profits solely as an internal source of finance.

Step 2: Explain legal constraints **Legal constraints:** The company must comply with the provisions of company law governing the declaration and payment of dividend. These provisions impose restrictions on the sources and conditions from which dividend may be paid; for example, dividend must be paid out of profits available for distribution in accordance with the applicable legal requirements.

Management cannot choose a dividend merely because shareholders demand it or cash is available. It must first ensure that the proposed distribution is legally permissible. The dividend decision must therefore operate within the legal framework, which protects the company and its creditors against an improper distribution of funds.

Step 3: Explain taxation policy **Taxation policy:** Tax treatment affects the return shareholders obtain from dividends compared with capital gains. If dividends attract a higher tax burden, shareholders may prefer the company to retain earnings rather than distribute them, and the company may declare a lower dividend. A lower tax burden on dividends can make a higher dividend more attractive.

Changes in taxation policy can therefore cause a company to reconsider its dividend policy. In the textbook treatment, a higher tax payable on distributed dividends discourages a high payout, whereas a lower tax on dividends encourages it. The company considers the relevant tax treatment together with its financing needs rather than treating profit alone as the basis for distribution.

Step 4: Conclusion Easier capital-market access generally supports a higher dividend; legal provisions set the permissible limits of distribution; and taxation policy affects the relative attractiveness of distributing profits or retaining them. These factors jointly influence the proportion of earnings paid to shareholders.

Quick Tip to Solve: Link each factor to the payout decision: external finance affects the need for retention, law determines permission, and tax affects the attractiveness of dividends.

33. 'Memo Builders' was constructing a five star hotel for a leading hotel chain. The hotel had to be given possession by next year but the construction of the hotel was running six months behind schedule. The Chief Executive Officer of 'Memo Builders' was concerned as Memo Builders was known for its quality and timely completion of projects. He asked Nitin, the senior of the Project Head for a thorough investigation. Nitin investigated and reported to the Chief Executive Officer that inspite of huge absenteeism of workers, additional workers were not called. Nitin also reported to the Chief Executive Officer that three of the ten machines being used by the workers were defective. Nitin ordered for repair of the machines and asked the Project Head to appoint additional workers with attractive wages to ensure that the deadline is met.

(a) Identify the function of management. Quoting the lines from the above para, explain the steps of the process of the function of management discussed.

(b) Also explain any two points of importance of the function of management identified in (a) above.

[6 marks]

Solution:

Concept:

- Controlling means ensuring that activities conform to planned standards. It involves comparing actual performance with the standards, identifying and analysing deviations, and taking corrective action.
- A deviation is the difference between actual and planned performance. A manager must investigate its causes before selecting a remedy so that action deals with the source of the problem.

Step 1: Identify the function of management **(a) Controlling:** The function is controlling. The hotel construction is behind the planned completion schedule. The Chief Executive Officer gets the causes investigated and Nitin takes action to bring the work back towards the deadline. This sequence of checking performance and correcting it characterises controlling.

Step 2: Explain comparison of actual performance with standards **Comparing actual performance with standards:** Actual performance is compared with the predetermined standard to find whether the work is progressing as planned and to establish the extent of deviation.

The relevant case line is: "The hotel had to be given possession by next year but the construction of the hotel was running six months behind schedule." The promised completion schedule is the standard against which progress is assessed, and the six-month delay is the deviation. The case thus shows an unfavourable difference between planned and actual progress.

Step 3: Explain analysis of deviations **Analysing deviations:** The manager investigates significant departures from the standard to determine their causes and the action they require. Here the CEO asks Nitin "for a thorough investigation." Nitin finds that "inspite of huge absenteeism of workers, additional workers were not called" and that "three of the ten machines being used by the workers were defective." These findings identify inadequate available labour and defective machinery as the causes requiring attention, rather than leaving the delay as an unexplained observation.

Step 4: Explain the corrective action taken **Taking corrective action:** After locating the causes, management takes steps to remove them and improve performance. The case states: "Nitin ordered for repair of the machines and asked the Project Head to appoint additional workers with attractive wages to ensure that the deadline is met." Repair restores machine availability and additional workers address the shortage arising from absenteeism. The measures target the investigated causes of the delay and aim to bring progress into line with the schedule.

Step 5: Explain two points of importance of controlling **(b) Accomplishing organisational goals:** Controlling measures progress towards organisational goals, reveals deviations and indicates corrective action. It guides the organisation back towards its objectives. At Memo Builders, recognising the delay and correcting its causes help the organisation work towards its promised completion deadline and maintain its record of timely projects.

Making efficient use of resources: Controlling seeks to ensure that work follows predetermined standards and that resources are used effectively, reducing avoidable waste and inefficiency. In this case, attending to defective machines and the available workforce helps prevent further loss of productive time and enables labour and machinery to contribute more effectively to construction.

Step 6: Conclusion The function is controlling. The case illustrates comparison of actual progress with the schedule, analysis of the causes of the delay, and corrective action through machine repair and additional recruitment. Controlling helps accomplish organisational goals and promotes efficient use of resources.

Quick Tip to Solve: In a controlling case, connect each quotation to its stage: delay against plan is comparison, investigation reveals causes, and repair or recruitment is corrective action.

34. The G20 Summit was organised in India. The government left no stone unturned to make G20 summit a success.

At the higher level, the work to be performed was identified and grouped to enable people to work most effectively together for accomplishing objectives. This involved building infrastructure, beautification of the city, hospitality, security arrangements etc. Duties were assigned to different job positions which led to establishment of clear relationships. This helped in creating a hierarchical structure and in co-ordination amongst all working for the summit.

(a) Identify and explain the function of management discussed in the above para.

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

Solution:

Concept:

- Organising is the management function that identifies and divides work, groups related activities, assigns duties and establishes reporting relationships so that people can achieve common objectives effectively.
- The importance of organising includes specialisation, clarity in working relationships, optimum utilisation of resources and adaptation to change. These explain why a planned division of work improves collective performance.

Step 1: Identify the function from the case **(a) The function is organising.** The case states that "the work to be performed was identified and grouped" and that "Duties were assigned to different job positions". It also refers to the "establishment of clear relationships". These are the essential features of organising: dividing the total task, grouping related work, allocating responsibility and establishing authority and reporting relationships.

Step 2: Explain how organising achieves the summit's objective Organising brings together human effort and other resources by creating a structure of roles. In the case, infrastructure, city beautification, hospitality and security arrangements form different areas of work. Assigning duties to job positions tells people what they must do, while clear relationships tell them whom to report to and whose directions to follow. The resulting hierarchy facilitates co-ordination so that these separate contributions support the common objective of making the summit a success.

Step 3: Explain specialisation and clarity of relationships **(b) 1. Benefits of specialisation:** Organising systematically divides work into specific jobs. Repeated performance of a particular job helps an employee develop skill and experience, which increases efficiency. The division also prevents one person from being burdened with every kind of task. Thus, separating areas such as hospitality and security allows focused attention to their respective requirements.

2. Clarity in working relationships: Establishing authority and responsibility clarifies who is accountable to whom. Each person knows the work assigned, the authority available and the superior to approach for instructions. This reduces confusion, duplication of orders and conflict. The case's "clear relationships" and "hierarchical structure" illustrate this benefit.

Step 4: Explain resource utilisation and adaptation to change **3. Optimum utilisation of resources:** Clear allocation of jobs avoids overlapping activities and unnecessary duplication of effort. Work can be assigned according to employees' knowledge and abilities, and material and financial resources can

be directed to the tasks that need them. This minimises wastage and makes fuller use of the resources available to achieve the objective.

4. Adaptation to change: A suitable organisational structure provides flexibility when circumstances change. It enables management to revise working relationships, redistribute duties or modify departments while maintaining continuity of operations. As requirements develop, the organisation can make the necessary adjustments and continue working towards its objectives instead of allowing a changed situation to disrupt all activities.

Step 5: Conclusion The function discussed is **organising**: identifying and grouping work, assigning duties and establishing relationships to accomplish objectives. Four points of its importance are the benefits of specialisation, clarity in working relationships, optimum utilisation of resources and adaptation to change.

Quick Tip to Solve: In a case, underline "grouped work", "assigned duties" and "reporting relationships" to recognise organising. Explain each importance point through its effect on efficiency or co-ordination, rather than only listing its heading.