CBSE Class 12 Business Studies Question Paper 2024 with Solution PDF-Set 66/5/3

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. 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 flows through the official channels and relationships established by the organisation.
- Informal communication arises from social relationships; the medium used does not by itself decide whether a message is formal.

Step 1: Identify the official relationship Naman is the Chief Executive Officer and Vineet is the Production Manager. The message concerns executing a business order, so Naman communicates in his official capacity as Vineet's superior.

Step 2: Distinguish the order from friendly conversation The case states, 'This order was communicated by Naman to Vineet over intercom.' This is an official instruction, unlike their lunch-time discussions as childhood friends. Informal communication is therefore inappropriate. The message is not described as an online message, and no picture or visual display conveys it, ruling out online and visual communication.

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

Quick Tip to Solve: Classify communication by its official purpose and reporting relationship, rather than by friendship or the device used.

2. '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 organisational improvement.
- Fayol encouraged managers to invite employees' suggestions and reward useful initiatives so that employees contribute actively.

Step 1: Locate the evidence of initiative The case says workers are 'encouraged to develop and carry out plans for improvement'. Varun gives a suggestion that reduces production cost by 10%, and the company rewards him. Both proposing an improvement and encouraging its execution indicate initiative.

Step 2: Eliminate the other principles Esprit de corps stresses team spirit and unity. Subordination of individual interest to general interest requires organisational interests to take priority when interests conflict. Equity means fair and just treatment of employees. None of these is the specific behaviour illustrated by inviting and rewarding Varun's suggestion.

Step 3: Conclusion Vanguard Inc. follows Fayol's principle of initiative. Hence, the correct option is (C).

Quick Tip to Solve: When employees are encouraged to suggest and implement improvements, identify initiative; team spirit points instead to esprit de corps.

3. 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 act towards organisational objectives and may use positive or negative means.
- Motivation is complex because different individuals have different needs, expectations, perceptions and reactions.

Step 1: Evaluate Statement-I Statement-I is true. Positive motivation offers rewards such as appreciation or promotion. Negative motivation uses the fear of adverse consequences, such as a warning or disciplinary action, to influence behaviour. Thus motivation can take either form.

Step 2: Evaluate Statement-II Statement-II is also true. A single incentive need not motivate all employees equally because they differ in their expectations, perceptions and reactions. Managers therefore cannot assume one uniform response to a motivating measure. Options (A) and (B) each deny one true statement, while option (D) denies both.

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

Quick Tip to Solve: Check statements separately: rewards and threats establish the first; differences between individuals explain the complexity in the second.

4. '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.
- Empowerment makes employees feel that their jobs are important and that they contribute meaningfully to the organisation.

Step 1: Identify the incentive described The decisive words are 'more autonomy and authority' and 'made them feel that their jobs were important'. These describe employee empowerment. Good pay alone does not meet employees' desire for responsibility and meaningful control over their work.

Step 2: Distinguish the other incentives Employee recognition programmes acknowledge and appreciate performance. Employee participation involves employees in organisational decision-making, often through committees. Career advancement opportunity offers prospects of promotion and growth. The case specifically emphasises granting autonomy and authority, so empowerment is the most precise choice.

Step 3: Conclusion The incentive attracting employees is employee empowerment. Hence, the correct option is (D).

Quick Tip to Solve: Link autonomy and authority to empowerment; link a voice in decisions to participation and praise for performance to recognition.

5. 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 refers to the funds invested in fixed assets needed for long-term operations.
- Leasing allows a business to use an asset by paying rentals instead of paying its full purchase price upfront.

Step 1: Evaluate the assertion The assertion is true. Availability of leasing facilities can reduce the amount of funds that must be invested in purchasing fixed assets. The firm can obtain the use of machinery or other assets without owning them.

Step 2: Evaluate the reason The reason is true. Under a lease, the firm pays lease rentals to use the asset, avoiding the huge initial sum that purchasing it would require. This does not mean that the asset is used free of cost.

Step 3: Check the explanatory relationship The reason directly explains why leasing reduces fixed capital requirements: the large purchase outlay is replaced by rental payments. Option (B) incorrectly denies this link. Options (C) and (D) incorrectly treat one of the true statements as false.

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

Quick Tip to Solve: For leasing questions, distinguish the right to use an asset from its purchase: rentals avoid the large initial acquisition outlay.

6. 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:

- The financing decision concerns the proportion of funds raised through owners' funds and borrowed funds.
- Financing decisions consider repayment capacity, financial risk and the effect of the chosen funds on ownership control.

Step 1: Test the financing factors Fixed operating costs affect financing risk: a business already carrying high fixed operating costs should avoid adding excessive fixed interest obligations. Cash flow position determines whether interest and principal payments can be met. Control considerations matter because issuing equity may dilute existing owners' control.

Step 2: Identify the factor from another decision Diversification is a factor affecting fixed capital requirements. Businesses entering additional product lines may need more buildings, machinery and other fixed assets. It is not listed as a factor affecting the financing decision. Thus (A), (B) and (C) are relevant financing factors, leaving (D) as the required exception.

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

Quick Tip to Solve: For a NOT question, classify each factor first: diversification concerns fixed capital, whereas cash flows, risk and control influence financing.

7. 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 management is responsible for the overall direction, survival and welfare of the organisation.
- Middle management implements top management's policies through departments; supervisory management directs the actual workforce.

Step 1: Match the function to its level Analysing the business environment and its implications for the survival of the firm requires an organisation-wide, strategic perspective. Top managers assess opportunities and threats and decide the overall policies and objectives.

Step 2: Separate departmental and supervisory duties Ensuring the necessary personnel in a department, as in (A), and cooperating with other departments for smooth functioning, as in (C), are functions of middle management. Interacting with the actual workforce and passing middle management's instructions to workers, as in (B), is a supervisory function. These do not describe the strategic role asked for.

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

Quick Tip to Solve: Use the scope of the decision: the whole enterprise and its survival indicate top management; departmental execution indicates middle management.

8. 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 deals in short-term funds and monetary assets with maturity of up to one year.
- Treasury bills, trade bills, commercial paper and certificates of deposit are money-market instruments.

Step 1: Identify the maturity period Money-market instruments meet short-term financing needs. The statement that this market deals in medium and long term securities contradicts its defining characteristic. Medium- and long-term securities belong to the capital market.

Step 2: Check the remaining statements Option (A) correctly names money-market instruments. Option (B) is correct because transactions generally involve large amounts. Option (C) correctly identifies the major institutional participants, including the Reserve Bank of India, banks and financial institutions. None of these is the incorrect statement sought.

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: First check whether the question asks for a correct or an incorrect statement; use maturity up to one year to identify the money market.

9. '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 finances investment in fixed assets such as plant, machinery and buildings.
- Growth prospects affect fixed capital needs because anticipated expansion requires additional productive capacity.

Step 1: Identify the clue in the case Kanand Ltd. was 'expecting higher growth in future' and developed higher capacity to meet 'anticipated higher demand quickly'. These words directly link the present investment in fixed assets to the firm's future growth prospects.

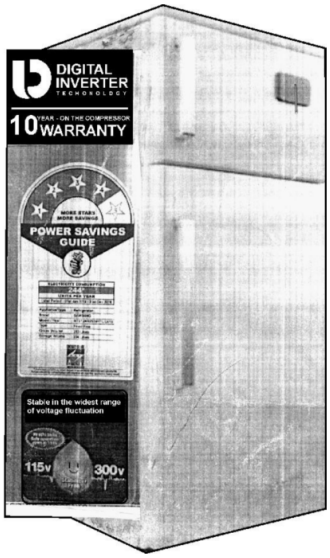
Step 2: Distinguish the other factors Scale of operations concerns the present size of operations, whereas the emphasis here is anticipated expansion. Nature of business explains why manufacturing generally needs fixed assets but does not explain this additional investment. Diversification means entering new product lines; the case describes expansion of capacity, not a new line of business.

Step 3: Conclusion The factor is growth prospects: expected future growth raises the requirement of fixed capital. Hence, the correct option is (D).

Quick Tip to Solve: When capacity is installed now to meet expected future demand, identify growth prospects rather than merely the existing scale of operations.

10. Identify from the following – what is shown in the picture of refrigerator given below ?

Refrigerator [1 mark]



(A) Brand name

(B) Brand mark

(C) Trademark

(D) Label

Correct Answer: (D) Label

Solution:

Concept:

- A label is a tag or other information-bearing part of a product or its package.
- Labelling describes the product and specifies information such as features, performance and instructions.

Step 1: Identify what the picture communicates The refrigerator picture shows information such as a power-savings guide and warranty details attached to the product. These information-bearing panels describe the product and its characteristics, which is the function of a label.

Step 2: Distinguish the branding terms A brand name is the part of a brand that can be spoken. A brand mark is the recognisable symbol or design that cannot be uttered. A trademark is a brand or part of a brand given legal protection. The question highlights the displayed product information rather than only a name, a symbol or evidence of legal protection.

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 energy ratings, specifications and warranty particulars points to labelling.

11. '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:

- The business environment comprises numerous interrelated forces arising from different sources.
- Complexity means that these interacting forces are easier to understand individually than as a whole.

Step 1: Identify the defining words The statement says that the environment consists of 'numerous interrelated and dynamic conditions or forces' and is 'difficult to grasp in its totality'. The difficulty of understanding all the interacting forces together indicates complexity.

Step 2: Rule out the other features Uncertainty refers to difficulty in predicting future events. Relativity means that the environment differs between regions or countries. Dynamic nature means that environmental conditions keep changing. Although the statement mentions dynamic conditions, its central point is the difficulty of comprehending the entire environment at once.

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

Quick Tip to Solve: Look for the main emphasis: difficult to understand as a whole indicates complexity; difficult to predict indicates uncertainty.

12. 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 holds securities in electronic form and facilitates their transfer.
- Investors use a demat account to hold securities electronically, usually through a depository participant.

Step 1: Identify the institution performing the function The question asks which organisation holds securities in electronic form. This is the function of a depository. The investor opens a demat account through a depository participant, which acts as the link between the investor and the depository.

Step 2: Eliminate institutions with different roles The Securities and Exchange Board of India regulates the securities market; it does not maintain investors' demat holdings in the manner asked. A stock exchange provides a platform for trading securities. A mutual fund pools investors' money for investment. Therefore, none of these three performs the particular holding function described.

Step 3: Conclusion The organisation is a depository. Hence, the correct option is (A).

Quick Tip to Solve: Distinguish the functions: a depository holds securities electronically, an exchange enables trading, and SEBI regulates the market.

13. 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 because it is required in every type of organisation and at every level.
- Core managerial activities are common to economic, political and social organisations, although their application varies.

Step 1: Identify the scope described The statement says that managerial activities are 'common to all organisations whether economic, political or social'. It therefore stresses that management is needed everywhere, which is its all-pervasive nature.

Step 2: Distinguish the other characteristics Multidimensional management concerns managing work, people and operations. A continuous process refers to the ongoing performance of management functions. A dynamic function means adapting to changes in the environment. These describe other characteristics, but none expresses the universality across different types of organisations emphasised here.

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

Quick Tip to Solve: Words such as all organisations, every level and economic or social institutions point to the all-pervasive nature of management.

14. 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; its spoken component is the brand name and its unutterable component is the brand mark.
- A trademark is a brand or part of a brand that has been given legal protection.

Step 1: Match each term with its definition Trademark matches (ii), legal protection. Brand name matches (iv), the part that can be spoken. Brand matches (i), the identifying name, term, sign, symbol, design or combination. Brand mark matches (iii), the recognisable part that cannot be uttered.

Step 2: Compare the complete combinations The required combination is a-(ii), b-(iv), c-(i), d-(iii). Option (A) incorrectly links trademark to the broad brand definition. Option (B) reverses the spoken and unutterable parts for brand name and brand mark. Option (D) wrongly links brand name to the broad brand definition and brand to the spoken part. Only option (C) matches all four definitions.

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 the distinctions in sequence: brand is the whole identity, name is spoken, mark is recognised visually, and trademark has legal protection.

15. 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 an organised secondary market for the purchase and sale of existing securities.
- Liquidity means that an investor can convert securities into cash; marketability means that securities can readily be bought and sold.

Step 1: Assess Statement-I Statement-I is true. A stock exchange creates a continuous market by bringing buyers and sellers of securities together through its trading system. An investor need not wait for the company to repay the investment before selling the security.

Step 2: Assess Statement-II and compare the options Statement-II is also true. Trading in already existing securities provides liquidity and easy marketability to their holders. Option (A) wrongly rejects Statement-II, option (B) wrongly rejects Statement-I, and option (D) wrongly rejects both. Thus only the option accepting both statements is consistent with the function described.

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

Quick Tip to Solve: When a question links a stock exchange with existing securities and easy resale, identify its liquidity and marketability function.

16. 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 and trust.
- Satisfied customers make repeat purchases and spread favourable word of mouth, helping a business retain and attract customers.

Step 1: Identify the commercial benefit in the case The supermarket says that satisfied customers lead to 'repeat sales' and provide 'good feedback to prospective customers'. These lines connect fair treatment of consumers with a growing customer base and continued business success. Replacing the stale flour helps restore Navya's confidence.

Step 2: Distinguish the other reasons This is the long-term interest of the business. Moral justification emphasises the ethical duty to avoid exploitation; social responsibility emphasises obligations towards consumers and society; government intervention concerns avoiding coercive legal action. Although these are also reasons for consumer protection, none describes the repeat sales and favourable recommendations highlighted here.

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

Quick Tip to Solve: Use the stated outcome to select the reason: repeat sales, goodwill and new customers point to the long-term interest of business.

17. 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 applicants whose applications are kept by a business for consideration when vacancies arise.
- A database of such applicants is an external source of recruitment and can reduce the time and cost of locating suitable candidates.

Step 1: Connect the description with the recruitment source The clues are 'database of unsolicited applicants' and screening job seekers 'to fill the vacancies as they arise'. These describe casual callers: candidates apply on their own initiative, and the organisation retains their details for later recruitment.

Step 2: Eliminate the other sources Direct recruitment selects applicants who assemble in response to a notice displayed at the workplace. Labour contractors supply workers through intermediaries. Campus recruitment involves contacting educational institutions to recruit their students. None of these refers to retaining unsolicited applications in an office database.

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

Quick Tip to Solve: Unsolicited applications kept for future vacancies indicate casual callers; applicants responding to a workplace notice indicate direct recruitment.

18. _____ 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 minimum wastage of resources.
- Effectiveness means completing the right task and achieving the intended objective within the required time.

Step 1: Identify the resource-use criterion The phrase 'with minimum cost' focuses on the relationship between the output achieved and the resources used. Doing work correctly while avoiding unnecessary use of money, materials, time and effort is efficiency.

Step 2: Distinguish efficiency from the remaining options Effectiveness concerns achieving the desired result, so it does not by itself establish minimum cost. Management is the wider process of getting work done effectively and efficiently. Coordination integrates the efforts of different individuals and departments. The precise term asked for is therefore efficiency.

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

Quick Tip to Solve: Associate minimum cost or minimum wastage with efficiency, and achievement of the intended target with effectiveness.

19. 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 comprises laws, rules, regulations and judicial decisions that govern business conduct.
- A statutory prohibition determines what businesses may legally produce, sell or use and therefore requires compliance.

Step 1: Locate the regulatory clue The case expressly refers to the 'Plastic Waste Management Rule 2022' and says that single-use plastic items 'were prohibited'. The immediate influence is a binding rule restricting business activity, which belongs to the legal environment.

Step 2: Rule out the other dimensions The economic environment concerns factors such as income, interest rates and inflation. The technological environment concerns innovations and production methods. The political environment includes political stability and the general attitude of government towards business. A specific enforceable rule is classified as legal even though government may introduce it.

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

Quick Tip to Solve: For environment questions, classify an expressly named law, rule or prohibition as legal; distinguish it from the government's broader political outlook.

20. 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, customs, values, education and patterns of social behaviour.
- The economic environment includes economic variables such as saving and investment rates, income and the availability of funds.

Step 1: Classify the social elements Composition of family is a social characteristic because it concerns the structure of a social institution. Consumption habits reflect lifestyles and social preferences. The educational system and literacy rates describe education and awareness in society. Thus options (A), (B) and (D) are all elements of the social environment.

Step 2: Identify the exception Rates of saving and investment describe the allocation of income and the formation of capital in an economy. These are economic variables rather than social institutions or practices. Since the question asks which is not a social element, this economic factor is the required exception.

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

Quick Tip to Solve: In a negative classification question, first group the clear social factors together; the monetary or macroeconomic variable is the exception.

21. 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 the interests of investors and promotes fair dealings in the securities market.
- Protective functions prevent practices that exploit investors or give some market participants an unfair informational advantage.

Step 1: State the protection against fraudulent dealings **Prohibiting fraudulent and unfair trade practices:** SEBI prohibits fraudulent practices and unfair trade practices in the securities market. This includes practices such as making misleading statements to influence investment decisions or manipulating dealings to create a false impression of the market. Such protection helps investors transact on a fair basis.

Step 2: State the prohibition of insider trading **Prohibiting insider trading:** SEBI prohibits insiders from trading in securities using unpublished price-sensitive information. Persons having privileged access to important company information should not use it to gain an unfair advantage over ordinary investors who do not yet have that information.

Step 3: State the provision for informed investors **Undertaking investor education:** SEBI takes steps to educate investors about securities-market operations, their rights and the risks associated with investments. Better-informed investors can recognise misleading promises, understand the information available to them and make more careful investment decisions.

Step 4: Conclusion Three protective functions of SEBI are prohibiting fraudulent and unfair trade practices, prohibiting insider trading, and undertaking investor education.

Quick Tip to Solve: For protective functions, think of protecting investors from fraud, unfair information advantages and lack of awareness.

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22. '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. [3 marks]

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

Solution:

Concept:

- Vestibule training is an off-the-job method in which employees learn on equipment resembling that used at the actual workplace.
- The training setting reproduces working conditions, while keeping learning separate from regular operations.

Step 1: Identify the training method The method is **vestibule training**. The case says that 'a training unit was started' and 'Two of the available cars were used for training the drivers.' A separate training unit equipped with actual cars enables the drivers to learn under conditions similar to their future work.

Step 2: Explain how it works Under vestibule training, employees learn to operate the equipment they will use in their jobs, but the instruction takes place away from the actual work floor. Here, the drivers practise handling Caro's sophisticated cars in the training unit before serving rental customers. They can acquire driving and handling skills without interrupting regular rental operations or exposing

customers to inexperienced driving.

Step 3: Conclusion Caro uses vestibule training: it has established a separate training unit and uses two cars to prepare drivers for the real rental service.

Quick Tip to Solve: A separate training unit using the same kind of equipment as the actual job points to vestibule training.

22(b). Also, state any two advantages the drivers will get after this training.

Solution:

Concept:

- Training systematically improves the knowledge and skills employees need to perform their jobs effectively.
- For employees, important benefits include better career prospects, higher earnings through improved performance, greater satisfaction and fewer accidents.

Step 1: State the career benefit **Better career prospects:** Training equips the drivers with improved knowledge and practical skills in handling sophisticated luxury cars. Such skills improve their competence and prepare them to take greater responsibility. This can help their career growth and improve their prospects of advancement in employment. The case confirms that Caro provides the cars 'with trained drivers'.

Step 2: State the safety benefit **Less prone to accidents:** Trained drivers learn the correct methods of operating the cars and using their controls. They are more likely to follow proper procedures, handle the vehicles safely and avoid mistakes arising from a lack of skill. This reduces the chance of accidents at work. The case's concern that the cars are 'sophisticated' makes correct handling especially relevant.

Step 3: Conclusion The drivers gain better career prospects through improved skills and become less prone to accidents through safer handling of the cars.

Quick Tip to Solve: When benefits to employees are asked, use career, earnings, satisfaction or safety; avoid giving only savings in the employer's costs.

23. 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 through recruitment, selection, placement, training and development.
- Its importance lies in obtaining competent personnel, using human resources effectively and supporting the future growth of the organisation.

Step 1: Explain how staffing secures competent personnel **Obtaining competent personnel:** Staffing

helps the organisation discover and obtain competent persons for different jobs. By identifying job requirements and selecting candidates whose knowledge, skills and abilities match those requirements, management creates a workforce capable of carrying out the work entrusted to it.

Step 2: Explain its contribution to performance **Higher performance by putting the right person on the right job:** Proper selection and placement match an employee's abilities with the requirements of a position. Training further improves the employee's competence. This helps employees perform their duties effectively and improves the overall performance of the organisation.

Step 3: Explain how it supports continuity and growth **Continuous survival and growth:** Staffing develops managers and other employees through suitable training and development programmes. It prepares people to assume greater responsibilities and creates a pool of capable personnel to fill future positions. This supports management succession and the continued operation and growth of the enterprise.

Step 4: Conclusion Staffing is important because it obtains competent personnel, improves performance through suitable placement, and supports the continuous survival and growth of the enterprise through development and succession planning.

Quick Tip to Solve: Remember the sequence: obtain capable people, match them to jobs, and develop them for future responsibilities.

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24. '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. [3 marks]

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

Solution:

Concept:

- Coordination is the process of integrating the activities of different departments and individuals to secure unity of action towards organisational objectives.
- It synchronises group efforts, balances interdependent activities and gives a common direction to the work of an organisation.

Step 1: Identify the concept from the case The concept is **coordination**. Ashish works to develop an 'orderly pattern of group efforts among different teams' and to 'secure unity of action in pursuit of a common purpose'. These words directly describe the integration of otherwise separate efforts.

Step 2: Explain how the teams are integrated The eight regional teams work at different locations but contribute to Cortico Fabrics' common purpose. Coordination brings their tasks into harmony so that one team's activities support the others. Ashish balances their work and ensures suitable allocation

of tasks. It is the essence of management because it is required while planning, organising, staffing, directing and controlling these activities, rather than being an isolated task performed only once.

Step 3: Conclusion The concept is coordination: integrating the efforts of the different regional teams to achieve unity of action and organisational objectives.

Quick Tip to Solve: In a case, connect 'group efforts', 'harmony' and 'unity of action' with coordination, then explain the common goal they serve.

24(b). Also, explain any one point of importance of the concept identified in (a) above.

Solution:

Concept:

- Coordination becomes especially important as the size of an organisation increases and more people and units must work together.
- Different individuals and departments may pursue their own goals; coordination integrates their efforts with the common organisational purpose.

Step 1: Select the relevant point of importance **Growth in size:** As an organisation grows, its number of employees, departments and locations increases. Their activities become interdependent, and achieving a common goal requires more than each group working efficiently in isolation. Coordination ensures that their efforts fit together.

Step 2: Relate growth in size to Cortico Fabrics The case says that Cortico Fabrics' 'branches are across India' and that it has 'eight teams'. Such expansion increases the need to integrate regional activities and prevent conflicting priorities. By balancing teams at different locations, Ashish aligns their work with the firm's objectives. This secures unity of action despite geographical separation and helps the organisation function as one whole.

Step 3: Conclusion Growth in size makes coordination necessary: it integrates the expanding regional teams and aligns their efforts with the common objectives of Cortico Fabrics.

Quick Tip to Solve: For this case, use the expansion across India and the eight teams as evidence for the importance called 'growth in size'.

25. 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:

- Semantic barriers arise when the words or symbols used in a message are not understood in their intended sense. Meaning may be distorted even though the message reaches its receiver.
- Faulty translations and technical jargon are two semantic barriers. Language proficiency and familiarity with specialised vocabulary are essential for preserving a message's meaning.

Step 1: Identify faulty translations from the language difficulty **Faulty translations:** The case states that 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". This indicates faulty translations. When a message has to be interpreted or translated from one language into another, insufficient proficiency in the languages involved can change the intended meaning. The receiver may choose an inappropriate equivalent or interpret a phrase incorrectly. Thus, the medical information recorded by the employees may differ from what the healthcare provider intended to communicate.

Step 2: Identify technical jargon from unfamiliar medical terms **Technical jargon:** The case also says that "technical words used in voice reports" had meanings that were "not understood by the employees". Specialists such as physicians use technical terminology that has a precise meaning within their profession. A receiver who does not understand those specialised words cannot decode the message accurately. Even an employee who understands the general language may therefore misunderstand a medical term and enter incorrect information in the patient's history. This barrier arises from unfamiliar specialised vocabulary, in addition to the general language difficulty identified above.

Step 3: Conclusion The two barriers are **faulty translations** and **technical jargon**, both semantic barriers. Inadequate language proficiency distorts the intended meaning, while unfamiliar medical terminology prevents accurate understanding of the reports.

Quick Tip to Solve: Separate difficulty in interpreting another language from difficulty with professional vocabulary: the first signals faulty translations, the second technical jargon.

26. 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, solved 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. [4 marks]

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

Solution:

Concept:

- Informal organisation is a network of personal and social relations arising spontaneously as people interact in a formal organisation.
- It develops from friendship and common interests rather than from an officially prescribed authority structure.

Step 1: Identify the organisation The group is an **informal organisation**. The case states that 'On the basis of their interaction and friendship' members formed 'Entertainment Through Reading'. The group therefore emerged naturally from personal relations and a shared interest in reading, rather than through a formal assignment of duties by management.

Step 2: Explain its nature using the case Informal organisation is the network of social relationships that develops when employees interact while working together. It has its own group norms and communication patterns, which are not laid down in the official organisation structure. Here, the group 'had no written rules' and 'had no fixed lines of communication'. Its members offered one another support and recreation, showing the personal and social basis of this network.

Step 3: Conclusion Entertainment Through Reading is an informal organisation, formed spontaneously through friendship, interaction and common interests among employees.

Quick Tip to Solve: Friendship, common interests and unwritten relationships indicate informal organisation; official job roles indicate formal organisation.

26(b). State any three advantages of the type of organisation identified in (a) above.

Solution:

Concept:

- Informal organisation can complement formal organisation by meeting social needs and providing relationships beyond official reporting lines.
- Its advantages include faster communication, fulfilment of social needs and support for organisational objectives.

Step 1: Explain communication and social advantages **Faster communication:** Information can travel rapidly because informal communication does not follow the prescribed official chain. Employees can interact directly across formal groups.

Fulfilment of social needs: Informal groups give employees a sense of belonging, acceptance and support. In the case, members 'enhanced the morale of each other' and 'provided support to each other', illustrating how the group meets their social needs.

Step 2: Explain support for organisational objectives **Contribution to organisational objectives:** Informal relationships can help employees cooperate, exchange useful ideas and overcome limitations in the formal structure. This supplements the formal organisation and assists achievement of its goals. The case says the group 'developed some innovative ideas' and 'contributed towards fulfillment of organisational objectives', even though it was formed for recreation.

Step 3: Conclusion Three advantages are faster communication, fulfilment of employees' social needs and contribution to the achievement of organisational objectives.

Quick Tip to Solve: Remember informal organisation's three benefits as communication, belonging and support for organisational goals.

27(a). State any four characteristics of planning. [4 marks]

Solution:

Concept:

- Planning means setting objectives for a given period, developing alternative courses of action and selecting the most suitable course to achieve those objectives.
- The characteristics of planning explain its nature as a management function. Any four distinct characteristics can be stated, each with its meaning.

Step 1: State the first two characteristics

- **Planning focuses on achieving objectives:** Planning starts by specifying the goals to be achieved. Every plan is prepared to attain particular organisational objectives, and the activities included in it are directed towards those goals. A plan therefore gives purposeful direction to managerial action.
- **Planning is a primary function of management:** Planning provides the basis for all other management functions. Organising, staffing, directing and controlling are carried out within the framework of plans. Managers must first know what is to be achieved before deciding how to arrange resources and guide employees.

Step 2: State two further characteristics

- **Planning is pervasive:** Planning is required at every level of management and in every department. Its scope varies: top management frames plans for the whole organisation, while middle and lower management prepare plans for their departments and day-to-day activities.
- **Planning is continuous:** Plans are prepared for a specified period. At the end of that period, new plans are needed in the light of results, changing circumstances and future requirements. Planning therefore continues as an ongoing managerial process rather than ending with the preparation of one plan.

Step 3: Conclusion Four characteristics are that planning focuses on objectives, is the primary management function, is pervasive and is continuous. Together, these show that planning supplies a goal-oriented framework for management throughout the organisation.

Quick Tip to Solve: Recall the four headings as goals, first function, all levels and ongoing process; give a separate explanatory sentence under each heading.

OR

27(b). Explain the following types of plans : [4 marks]

27(b)(i). Policy

Solution:

Concept:

- A policy is a general statement that guides thinking or channels efforts towards a particular direction in decision-making.
- Policies define the broad framework within which managers exercise discretion; they are standing plans used for recurring situations.

Step 1: Explain the guidance provided by a policy **General guidance:** A policy expresses the organisation's broad approach to a class of decisions. It makes employees aware of the direction they should follow and helps them make decisions consistent with organisational objectives. It does not prescribe every detailed action for every possible situation.

Step 2: Explain discretion with an example **A framework for decisions:** Managers retain some freedom to choose suitable action within the policy's limits. For example, a company may have a policy of filling managerial vacancies through internal promotion wherever suitable employees are available. This guides staffing decisions repeatedly, while the choice of the particular employee depends on merit and suitability. Thus, a policy promotes consistency without eliminating managerial judgement.

Step 3: Conclusion A policy is a standing plan that provides broad guidelines for decision-making while allowing discretion within the stated framework.

Quick Tip to Solve: Recognise a policy by its broad guidance: it indicates an approach to decisions, while a procedure gives a sequence of actions.

27(b)(ii). Budget

Solution:

Concept:

- A budget is a statement of expected results expressed in numerical terms for a specified future period.
- It is a single-use plan for a particular period or activity and also provides a standard against which actual performance can be compared.

Step 1: Explain the numerical plan **Quantified expected results:** A budget translates planned activities and objectives into numbers. These may be units of output, hours of work, quantities of materials or amounts of money. For example, a sales budget may state the expected units to be sold and the revenue anticipated during the next quarter.

Step 2: Show how the budget guides action and control **Allocation and comparison:** A budget helps managers allocate resources in advance and coordinate the activities needed to achieve the planned result. At the end of the relevant period, actual results can be compared with the budgeted figures. Significant differences can be examined and corrective action taken. Since the figures relate to a specific period, a new budget is prepared when that period or activity changes.

Step 3: Conclusion A budget is a quantified plan of expected results that guides resource use and serves as a basis for controlling performance.

Quick Tip to Solve: Look for numerical estimates for a future period, such as expected sales, expenditure or output, to identify a budget.

28. Differentiate between 'Selling Concept' and 'Production 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 indicate the approach a business adopts to achieve its objectives. The production concept emphasises affordable, widely available products, whereas the selling concept emphasises persuading buyers to purchase existing products.
- The distinction must be made on the specified bases: meaning, main focus, means and ends. Both philosophies seek profit, but their routes to that end differ.

Step 1: Identify the assumption behind each philosophy The production concept assumes that consumers favour products that are readily available and affordable. The business therefore concentrates on producing and distributing efficiently to reduce costs and prices. The selling concept assumes that customers will not buy enough unless the business makes substantial selling and promotional

efforts. It therefore seeks to persuade customers to buy what the business has already produced. These assumptions explain the differences below.

Step 2: Compare the concepts on the four required bases The four bases distinguish the assumptions and operating approach of each philosophy.

Basis	Selling concept	Production concept
(a) Meaning	Consumers must be persuaded through vigorous selling and promotion to purchase the firm's products in sufficient quantities.	Consumers prefer readily available, affordable products; management should improve production and distribution efficiency.
(b) Main focus	Selling the existing products and increasing their sales volume.	Increasing the quantity produced and achieving efficient large-scale production.
(c) Means	Aggressive selling and promotional efforts, such as persuasive sales campaigns.	Availability and affordability through efficient production and wide distribution at low cost.
(d) Ends	Earning profit through increased sales volume.	Earning profit through a high volume of production and sales supported by low costs.

Step 3: Conclusion The selling concept seeks profit by persuading customers to buy existing products through strong promotion. The production concept seeks profit by making products available and affordable through efficient large-scale production and distribution.

Quick Tip to Solve: Keep the focus and the means separate: selling focuses on existing products and uses promotion; production focuses on quantity and uses efficient, low-cost availability.

29. 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. [4 marks]

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

Solution:

Concept:

- Consumers have the right to acquire knowledge and skills needed to be informed consumers throughout their lives.
- Consumer education makes people aware of their rights, responsibilities and the reliefs available against exploitation.

Step 1: Identify the right from Raghav's actions The right discussed is the **right to consumer education**. Raghav felt that villagers should be 'made aware about the rights and reliefs available to them'. His 'series of talks and presentations' gives them the knowledge needed to protect their interests as buyers.

Step 2: Explain how education protects consumers This right means that consumers should have access to information and learning about consumer protection. They should know their rights, act responsibly while buying and using goods, and understand where and how to seek relief when exploited. Awareness helps the villagers recognise unfair practices instead of remaining helpless because they do not know whom to approach.

Step 3: Conclusion Raghav promotes the right to consumer education by teaching villagers about consumer rights and available remedies.

Quick Tip to Solve: When a case emphasises awareness programmes, talks or knowledge of remedies, identify consumer education rather than merely the right to be heard.

29(b). Also, identify and explain the consumer right violated by 'Bholaram' in the above case.

Solution:

Concept:

- The right to safety protects consumers against goods and services that are hazardous to life and health.
- Food adulteration violates this right because unsafe ingredients can harm the people consuming the product.

Step 1: Identify the violated right Bholaram violates the **right to safety**. The decisive evidence is his use of 'adulterated khoya and paneer', followed by people 'falling sick after consuming sweets'. The case directly links the product with harm to health.

Step 2: Explain the protection provided by this right Consumers are entitled to protection against the marketing of goods and services dangerous to life or health. A seller must supply safe products rather than exploit a trusted reputation to conceal unsafe practices. By adulterating sweets and selling them to unsuspecting customers, Bholaram exposes buyers to a health hazard; the good reputation of the shop does not remove his responsibility to supply safe food.

Step 3: Conclusion The violated right is the right to safety, since the adulterated sweets endanger consumers' health.

Quick Tip to Solve: Connect illness, injury or a dangerous product with safety; lack of complaint awareness concerns consumer education instead.

30(a). Explain the following functions of marketing : [4 marks]

30(a)(i). Gathering and Analysing Market Information

Solution:

Concept:

- Marketing starts by understanding the market and identifying the needs and wants of customers.
- Gathering and analysing market information provides evidence for marketing opportunities, threats and decisions.

Step 1: Gather relevant information about the market A marketer systematically collects information about customer needs, tastes, buying habits, demand, competitors and changes in the business environment. Customer surveys, feedback and other suitable sources help the firm discover what customers value and what problems they want a product to solve.

Step 2: Analyse the information for marketing decisions The collected data is examined to identify market opportunities and threats and to understand customers more accurately. These findings help decide the product to offer, its suitable price, methods of promotion and distribution. For example, evidence that buyers want convenient small packs can guide packaging decisions. Collecting data alone is insufficient; it must be interpreted and used in decisions.

Step 3: Conclusion This function converts market facts into an understanding of customer needs and a basis for effective marketing decisions.

Quick Tip to Solve: Explain this function as a sequence: collect relevant market data, analyse it, then use the findings to identify opportunities and guide decisions.

30(a)(ii). Marketing Planning

Solution:

Concept:

- Marketing planning specifies the marketing objectives of a firm and the activities needed to achieve them.
- A suitable marketing plan coordinates decisions on products, price, promotion and distribution in line with market opportunities.

Step 1: Set the marketing objectives The firm decides what it wants to achieve through marketing, such as a desired increase in sales or market share. These objectives give a clear direction to the marketing effort and must be considered in relation to customer needs, competition and the firm's available resources.

Step 2: Prepare the programme for achieving the objectives The marketer develops a plan specifying the activities and strategies needed to reach those targets. It includes decisions about the product, its price, promotional methods and distribution channels, along with the resources and schedule required. For example, a firm seeking a higher market share may plan a new product offer, appropriate pricing and an expanded distribution network. The activities must support the same objective.

Step 3: Conclusion Marketing planning establishes marketing goals and a coordinated course of action for achieving them.

Quick Tip to Solve: Keep market information and planning distinct: information explains the market; planning decides the objectives and the actions to achieve them.

OR

30(b). State the four major components of physical distribution. [4 marks]

Solution:

Concept:

- Physical distribution concerns the movement of finished goods from the place of production to the place of consumption. It makes goods available where and when customers need them.
- Its four major components are order processing, transportation, warehousing and inventory control. These activities must be coordinated to provide satisfactory customer service at a reasonable cost.

Step 1: State the components that process and move an order **(i) Order processing:** This includes the activities involved in receiving and processing customers' orders so that the correct goods can be supplied promptly. Speed and accuracy in processing reduce delays and help ensure that customers receive the goods they ordered.

(ii) Transportation: This is the physical movement of goods from the place of production to the place of consumption. The business selects suitable means of transport so that goods reach the required markets safely, economically and on time.

Step 2: State the components that store and maintain stock **(iii) Warehousing:** This refers to storing goods until they are needed for sale or distribution. Warehouses create time utility by bridging the gap between production and consumption, enabling the business to supply goods when customers demand them.

(iv) Inventory control: This involves deciding and maintaining appropriate stock levels. Sufficient stock helps meet customer demand without interruption, while avoiding excessive inventory reduces the funds tied up in stock and the associated storage costs.

Step 3: Conclusion The four major components of physical distribution are **order processing, transportation, warehousing and inventory control**. Together, they organise the flow and availability of finished goods for customers.

Quick Tip to Solve: Follow a customer order: process it, transport the goods, store them when necessary, and maintain enough inventory for future orders. This sequence recalls all four components.

31(a). Explain the following points of significance of principles of management : [6 marks]

31(a)(i). Providing managers with useful insights into reality.

Solution:

Concept:

- Management principles are broad guidelines developed from managers' experience, observation and experimentation.
- They provide insights into managerial situations and help managers understand the likely effects of their decisions.

Step 1: Explain the insights supplied by principles Principles bring together the experience and wisdom gained by managers over time. They show how people and organisations generally behave and help a manager understand a situation instead of viewing it as entirely new. For example, unity of command highlights the confusion that can arise when an employee receives orders from more than one superior.

Step 2: Explain their practical value to managers Using these insights, managers can learn from earlier experience, save time and avoid repeating known mistakes. Principles help them choose suitable actions and anticipate the likely results, rather than relying only on trial and error. They remain general guidelines: the manager must judge how to apply them in the particular circumstances rather than follow them mechanically.

Step 3: Conclusion Principles provide useful insights into reality by converting accumulated managerial experience into practical guidance for decisions.

Quick Tip to Solve: Link useful insights with learning from accumulated experience and avoiding repeated mistakes; do not describe principles as rigid rules.

31(a)(ii). Meeting changing environment requirements.

Solution:

Concept:

- Management principles are flexible guidelines rather than rigid instructions for every situation.
- Their application can be adapted to changes in technology, markets and the social and economic environment.

Step 1: Explain the need for adaptable management Business conditions change continuously, so a practice suitable at one time may not suit new circumstances. Because management principles are flexible, a manager can modify their application to meet the needs of the organisation and its environment. Their purpose is to guide judgement, not to prevent suitable changes in management methods.

Step 2: Connect flexibility with changing requirements For example, division of work generally promotes specialisation, but modern organisations may also encourage multi-skilling and teamwork when changing technology and work demands require them. A manager applies the underlying purpose of efficient work while adjusting the arrangement to current needs. Thus principles help the

organisation respond to new conditions without abandoning a reasoned approach to management.

Step 3: Conclusion Principles help managers meet changing environmental requirements because their flexible application can be adapted to new situations.

Quick Tip to Solve: Explain both ideas together: the environment changes, and management principles allow flexible application in response.

31(a)(iii). Scientific decisions

Solution:

Concept:

- Scientific managerial decisions rest on facts, logic and analysis rather than personal whim or blind intuition.
- Management principles developed through observation and experimentation provide a reasoned basis for evaluating alternatives.

Step 1: Explain the basis of scientific decisions Principles help managers make decisions through objective assessment of a situation. Instead of acting arbitrarily or merely repeating a personal habit, a manager considers the relevant facts and the relationships suggested by established principles. Decisions can therefore be justified by a clear explanation of why the chosen action suits the problem.

Step 2: Explain how principles improve decision making For example, the principle of division of work provides a rational basis for assigning specialised tasks, while unity of command helps assess reporting relationships. The manager examines the circumstances before selecting an appropriate arrangement. Such reasoned decisions are more balanced and less dependent on personal bias, although judgement is still needed because principles are not exact mechanical formulae.

Step 3: Conclusion Principles encourage scientific decisions by supporting logical, objective analysis of facts and suitable alternatives.

Quick Tip to Solve: Use the words facts, logic and objectivity when explaining scientific decisions; avoid presenting management principles as infallible laws.

OR

31(b). Explain the following principles of management : [6 marks]

31(b)(i). Unity of direction

Solution:

Concept:

- Fayol's unity of direction states that activities having the same objective should have one head and one plan.
- This principle coordinates related efforts, prevents duplication and directs them towards a common result.

Step 1: State the principle precisely **Unity of direction** means that each group of activities with the same objective must be directed by one manager and carried out according to a single plan. Related activities should support one another rather than be managed through conflicting plans that pull the organisation in different directions.

Step 2: Explain its application and benefit For example, if a company makes cars and motorcycles, the activities of each product division should have their own head and plan, since the groups pursue distinct product objectives. Within each division, all related efforts are coordinated towards its common objective. This avoids duplication and conflicting priorities. Unity of direction concerns groups of activities; unity of command concerns the number of superiors from whom one employee receives orders.

Step 3: Conclusion One head and one plan for activities with the same objective ensures unity of direction and coordinated action.

Quick Tip to Solve: Remember direction as one head and one plan for a group of activities; command is one boss for an individual employee.

31(b)(ii). Remuneration to employees

Solution:

Concept:

- Fayol's remuneration principle requires employee compensation to be fair and reasonable to both employees and the organisation.
- Fair remuneration should provide employees a reasonable standard of living while remaining within the organisation's paying capacity.

Step 1: Explain fairness to employees **Remuneration to employees** means that overall pay and compensation should be just and equitable. Employees should receive compensation that gives them a reasonable standard of living and a sense that their contribution is valued. Unfairly low pay can create dissatisfaction and damage employees' willingness to work effectively.

Step 2: Balance employee and organisational interests The compensation should also remain within the paying capacity of the enterprise. Fairness therefore requires a reasonable balance between employees' needs and the financial position of the organisation, rather than the highest possible payment regardless of affordability. Such balanced remuneration promotes employee satisfaction and harmonious relations between workers and management, supporting effective functioning.

Step 3: Conclusion The principle requires fair and reasonable remuneration that satisfies employees while respecting the organisation's paying capacity.

Quick Tip to Solve: A complete explanation mentions both sides: a reasonable living standard for employees and affordability for the enterprise.

31(b)(iii). Equity

Solution:

Concept:

- Fayol's equity principle requires managers to treat employees with kindness and justice.
- Fair treatment and freedom from discrimination encourage loyalty, commitment and harmonious working relationships.

Step 1: Explain the meaning of equity **Equity** means combining kindness with justice in dealings with employees. Managers should treat employees fairly and impartially rather than discriminate on grounds such as sex, religion, language, caste or nationality. Decisions should reflect relevant work requirements and fair treatment, rather than personal prejudice or favouritism.

Step 2: Explain its effect and proper application Employees who experience fairness are more likely to feel secure, develop loyalty and give their best effort. Equity does not mean that a manager must ignore poor performance or indiscipline. When necessary, appropriate firmness can be used, but it must be guided by justice and applied impartially. Thus humane treatment and fair discipline can work together in maintaining a productive workplace.

Step 3: Conclusion Equity requires kind, just and impartial treatment of employees to build loyalty and commitment.

Quick Tip to Solve: Remember equity as kindness plus justice; it allows fair discipline while rejecting discrimination and favouritism.

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

[6 marks]

32(a)(i). Credit allowed

Solution:

Concept:

- Working capital finances day-to-day operations and is affected by the time for which funds remain tied up in current assets.
- Credit allowed means the period permitted to customers to pay for their purchases; it creates debtors or trade receivables.

Step 1: Explain the effect of a liberal credit policy **Longer credit period increases working capital:** If a business allows its customers more time to pay, cash from sales is received later. Until the amount is collected, funds remain invested in debtors. The firm must still pay wages, purchase materials and meet other operating expenses, so it needs more working capital to finance this interval.

Step 2: Contrast this with stricter credit terms **Shorter credit period reduces working capital:** With a strict credit policy or more cash sales, customers pay sooner and funds are recovered more quickly. Less money remains tied up in receivables, reducing the working capital requirement, other things being equal. The relevant factor is credit allowed to customers; credit received from suppliers has a different financing effect.

Step 3: Conclusion The more liberal the credit allowed to customers, the greater the working capital requirement; quicker collection reduces that requirement.

Quick Tip to Solve: Follow the cash: credit allowed delays customer payments and locks funds in debtors, so a longer period raises working capital.

32(a)(ii). Production cycle

Solution:

Concept:

- The production cycle is the time between acquiring raw materials and converting them into finished goods.
- During production, funds remain tied up in raw materials, work-in-progress and related operating costs until the output is ready for sale.

Step 1: Explain a longer production cycle **Long cycle increases working capital:** Where production takes a long time, materials and other production expenses must be financed for a longer period before finished goods become available. Money remains invested in work-in-progress rather than being released quickly. The business therefore requires more working capital to keep its operations running.

Step 2: Explain a shorter production cycle **Short cycle reduces working capital:** If the same output can be produced in less time, the period for which resources are tied up in the production process falls. Funds move more quickly from raw materials through production to finished goods. Other things being equal, this reduces the amount of working capital needed. For example, a lengthy manufacturing process generally needs greater operating finance than a rapid process of similar scale.

Step 3: Conclusion A longer production cycle raises working capital requirements, while a shorter production cycle reduces them, other factors remaining unchanged.

Quick Tip to Solve: Trace the interval from raw material to finished product; the longer funds stay in production, the more working capital is needed.

32(a)(iii). Availability of raw material

Solution:

Concept:

- Raw-material inventories are current assets, and holding them ties up working capital.
- The ease, reliability and regularity of raw-material supply influence the stock a business must maintain to avoid production interruptions.

Step 1: Explain regular and easy availability **Reliable supply reduces stock needs:** If raw materials are readily and regularly available, a business can buy smaller quantities at frequent intervals. It need not maintain a large reserve merely to protect itself against shortages. Less money is invested in

raw-material inventory, so the working capital requirement is lower, other things being equal.

Step 2: Explain irregular or seasonal availability **Uncertain supply increases stock needs:** If materials are scarce, seasonal or supplied irregularly, the firm may have to buy larger quantities when they are available. Holding this additional stock protects continuity of production but ties up funds for longer. Consequently, more working capital is required. The effect arises through the quantity of inventory needed, rather than through any change in fixed assets.

Step 3: Conclusion Easy and regular availability of raw materials lowers working capital needs; irregular or seasonal availability increases them through larger inventories.

Quick Tip to Solve: Link raw-material availability to inventory: uncertain supply means a larger buffer stock and therefore more working capital.

OR

32(b). Explain the following factors affecting the dividend decision of a company : [6 marks]

32(b)(i). Growth opportunities

Solution:

Concept:

- The dividend decision concerns how much profit to distribute to shareholders and how much to retain in the business.
- Retained earnings are an internal source of finance; future growth and expansion opportunities affect the need for this source.

Step 1: Explain companies with strong growth opportunities **Greater retention for expansion:** A company with attractive growth opportunities needs funds for future projects. Retaining a larger portion of earnings helps finance those investments internally and reduces the need to obtain all the required money from outside sources. Such a company is likely to distribute a lower proportion of its profits as dividends.

Step 2: Contrast companies with fewer growth opportunities **Greater scope for dividend payment:** If profitable expansion opportunities are limited, the company has less need to retain earnings for new investment. It may therefore distribute a higher proportion of profits to shareholders, subject to its other financing needs and constraints. The comparison concerns the proportion paid out: growth opportunities generally lead to a lower dividend payout rather than an automatic fall in the company's profits.

Step 3: Conclusion Companies with greater growth opportunities generally retain more earnings and pay lower dividends; companies with fewer such opportunities may pay higher dividends.

Quick Tip to Solve: Ask whether profits are needed for future projects: more attractive growth opportunities usually mean more retention and a lower payout.

32(b)(ii). Cash flow position

Solution:

Concept:

- Dividend payment involves an outflow of cash, so the dividend decision depends on the availability of sufficient liquid funds.
- Accounting profit and cash availability differ: profits may be tied up in receivables, inventories or other uses rather than being available for immediate payment.

Step 1: Establish why cash is necessary **Dividend requires cash:** A company must have enough cash to pay shareholders while meeting its operating and other obligations. A strong cash flow position makes dividend payment easier and supports a higher payout. Profit alone is insufficient evidence that the company can afford a cash dividend.

Step 2: Explain a weak cash flow position **Liquidity limits distribution:** A profitable company may have little available cash if customers have not yet paid or funds are committed elsewhere. Paying a large dividend in these circumstances could create difficulty in meeting normal payments. Management may therefore retain profits and declare a lower dividend until cash flows improve. The decision must balance shareholder distribution with the ability to meet payments as they fall due.

Step 3: Conclusion A sound cash flow position supports higher dividends, whereas inadequate available cash may restrict dividends even when the company reports profits.

Quick Tip to Solve: Separate profit from cash: a dividend is a payment, so always check liquidity before concluding that a profitable company can distribute it.

32(b)(iii). Shareholders' preference

Solution:

Concept:

- The dividend decision balances current distribution of profits with retention for the company's future needs.
- Shareholders may differ in their preference for regular income through dividends and for future growth in the value of their investment.

Step 1: Explain preference for current income **Shareholders seeking regular income:** Some investors depend on dividends as a source of current income and prefer regular, reasonably high distributions. Where a substantial proportion of shareholders has this preference, management should consider it while deciding the dividend payout, provided the company's financial position permits payment.

Step 2: Explain preference for retained earnings **Shareholders seeking growth:** Other shareholders may prefer profits to be retained and invested in the business, expecting future growth and capital appreciation. Such a preference supports a lower current dividend payout. Management takes the shareholders' expectations into account, alongside investment needs, earnings and cash availability; preference is an influencing factor rather than a guarantee of any particular dividend.

Step 3: Conclusion A preference for current income favours higher dividends, while a preference for growth and capital appreciation favours greater retention and lower current dividends.

Quick Tip to Solve: Identify the shareholders' goal first: regular current income suggests dividends, while future investment growth suggests retention.

33. 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. [6 marks]

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

Solution:

Concept:

- Organising is the management function that identifies and groups work, assigns duties, delegates authority and establishes reporting relationships to achieve objectives.
- Its process comprises identification and division of work, departmentalisation, assignment of duties and establishment of reporting relationships.

Step 1: Identify the function from the case The function is **organising**. The case states that "the work to be performed was identified and grouped to enable people to work most effectively together for accomplishing objectives." This is the essence of organising: arranging people and activities in a coordinated structure so that plans can be implemented.

Step 2: Explain how organising arranges work **Identification and division of work:** The total work is broken into manageable activities. Here these activities include building infrastructure, beautification, hospitality and security. **Departmentalisation:** Related activities are grouped into units so that similar tasks can be performed together, allowing specialisation and preventing unnecessary duplication.

Step 3: Explain duties and relationships **Assignment of duties:** Work is allocated to suitable persons according to their abilities; the case says, "Duties were assigned to different job positions". **Establishment of reporting relationships:** It is made clear who reports to whom and who has authority over each task. The resulting hierarchical structure defines responsibility, facilitates communication and supports coordination among those working for the summit.

Step 4: Conclusion The function is **organising**, through which the G20 work was divided, grouped and assigned, and clear authority and reporting relationships were established.

Quick Tip to Solve: Look for work being divided or grouped, duties being assigned and reporting relationships being set up: together these identify organising.

33(b). Explain any four points of importance of the function identified in (a) above.

Solution:

Concept:

- Organising creates a structure of roles, authority and responsibility through which people cooperate to achieve common objectives.
- Its importance includes specialisation, clarity in working relationships, optimum utilisation of resources and effective administration.

Step 1: Explain specialisation and clarity

- **Benefits of specialisation:** Dividing the total work into specific jobs and assigning each job to a suitable employee allows repeated performance of the same activity. Employees develop skill and expertise, which improves efficiency and the quality of work.
- **Clarity in working relationships:** Organising specifies who must report to whom and the authority and responsibility attached to each position. Employees know from whom they receive instructions and to whom they are accountable, reducing confusion and conflict.

Step 2: Explain resource use and administration

- **Optimum utilisation of resources:** Proper allocation of jobs avoids duplication and overlapping of activities. Work is assigned according to employees' abilities, while clear duties minimise misuse and wastage of human, physical and financial resources.
- **Effective administration:** Clearly specified jobs and related duties show employees what they are expected to do. An appropriate structure with clear reporting relationships facilitates coordination, prevents avoidable confusion and helps managers administer operations smoothly.

Step 3: Conclusion Four points of importance are **specialisation, clarity in working relationships, optimum utilisation of resources and effective administration**. Each helps turn coordinated effort into the achievement of organisational objectives.

Quick Tip to Solve: State each importance point as a separate heading, then explain how the organisational structure produces that benefit.

34. '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. [6 marks]

34(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.

Solution:

Concept:

- Controlling means ensuring that activities conform to plans by setting performance standards, measuring actual performance, comparing the two and correcting deviations.
- The control process includes setting standards, measuring actual performance, comparison with standards, analysing deviations and taking corrective action.

Step 1: Identify controlling and the performance standard The function is **controlling**: management detects the delay, investigates its causes and acts to bring construction back on schedule. **Setting performance standards:** The expected time is specified in "The hotel had to be given possession by next year". Timely completion provides the benchmark against which actual progress is assessed.

Step 2: Measure and compare actual performance **Measurement of actual performance:** Construction progress is reviewed to determine the stage actually reached. **Comparison with standards:** The case reports that "the construction of the hotel was running six months behind schedule". This statement expresses the comparison between actual progress and the planned schedule and identifies an adverse time deviation.

Step 3: Analyse the causes of the deviation **Analysing deviations:** The CEO "asked Nitin, the senior of the Project Head for a thorough investigation". Nitin found 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". The investigation therefore identifies labour shortage and defective machinery as causes requiring attention.

Step 4: Take corrective action **Taking corrective action:** 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 productive capacity, while extra workers address the shortage. These measures aim to remove the causes of delay and bring actual performance into line with the completion target.

Step 5: Conclusion The function is **controlling**. The case illustrates a completion standard, a comparison revealing a six-month delay, analysis of absenteeism and defective machines, and corrective action through repairs and additional recruitment.

Quick Tip to Solve: For a control case, map the target, actual result, deviation, cause and remedy to the control-process steps; support each with the case wording.

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

Solution:

Concept:

- Controlling helps management check whether actual activities are progressing towards organisational goals and correct deviations in time.
- Control also promotes efficient use of resources by making expected performance clear and preventing avoidable waste.

Step 1: Explain accomplishment of organisational goals **Accomplishing organisational goals:** Controlling measures actual performance against the standards established in plans. It identifies deviations and directs managers to take corrective action, so that activities remain on the intended course. As a result, organisational resources and efforts continue to serve the common objectives instead of allowing errors or delays to remain unnoticed. In this case, repair of defective machines and appointment of additional workers are directed towards meeting the hotel-completion deadline.

Step 2: Explain efficient use of resources **Making efficient use of resources:** Control establishes expected levels of performance and compares actual results with them. This makes employees aware of the standards they must follow and helps managers detect waste, idle capacity and inefficient methods. Corrective measures reduce avoidable losses of labour time, materials and machine capacity. Here, the investigation exposes both a shortage of working personnel and defective equipment, allowing management to restore their effective use rather than continue losing construction time.

Step 3: Conclusion Two points of importance are **accomplishing organisational goals** through detection and correction of deviations, and **making efficient use of resources** through performance standards and action against waste.

Quick Tip to Solve: Explain the mechanism behind each benefit: comparison and correction keep goals on course, while standards and monitoring reduce resource waste.