CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/1/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. The risk related to inability to meet fixed financial charges like interest payment and other repayment obligations is known as : [1 mark]

(A) Operating risk

(B) Financial risk

(C) Business risk

(D) None of the above

Correct Answer: (B) Financial risk

Solution:

Concept:

- Financial Management: financial risk arises from fixed financing commitments.
- Debt requires contractual interest payments and repayment irrespective of the level of operating earnings.

Step 1: Identify the source of the obligation The question specifies inability to meet fixed financial charges such as interest and repayment obligations. These arise from financing the business with debt. The uncertainty about meeting them is called financial risk; a greater debt burden normally increases this risk.

Step 2: Eliminate the other options Operating risk in (A) and business risk in (C) concern uncertainty in operating earnings resulting from business operations, rather than the additional fixed obligations created by borrowing. Option (D) fails because financial risk is explicitly available as a correct description.

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

Quick Tip to Solve: Link interest and loan repayment to financial risk; link uncertain operating earnings to business risk.

2. Bimal Rai is working in Funny Bunny Ltd. The company manufactures games and toys for children. The basic task of Bimal Rai is to integrate diverse elements and coordinate the activities of different departments. He also analyses the business environment and its implications for the survival of the firm. The level of management at which Bimal Rai is working is : [1 mark]

(A) Top level

(B) Middle level

(C) Operational level

(D) Both Middle and Operational level

Correct Answer: (A) Top level

Solution:

Concept:

- Nature and Significance of Management: top management integrates the organisation and determines its overall direction.

- Middle management implements top-management policies; supervisory management oversees workers and daily operations.

Step 1: Identify the case evidence Bimal Rai must "integrate diverse elements and coordinate the activities of different departments. He also "analyses the business environment and its implications for the survival of the firm. These organisation-wide responsibilities are characteristic functions of top management.

Step 2: Compare the remaining levels Middle management in (B) interprets and implements the policies set by top management within departments. Operational management in (C) directly supervises workers and routine activities. Neither performs the overall environmental analysis described here, so the combination in (D) is also unsuitable.

Step 3: Conclusion Bimal Rai works at the top level of management. Hence, the correct option is (A).

Quick Tip to Solve: When a case stresses the survival of the whole firm and integration of departments, identify top management.

3. Salim and Karim are good friends. They started a business of selling high quality seeds for growing organic vegetables. They are offering 200 varieties of vegetable seeds suitable for terrace gardens, balconies and backyards. Due to the growing trend towards healthy consumption habits, there is a huge demand for their seeds. The dimension of business environment being discussed above is : [1 mark]

(A) Economic Environment

(B) Political Environment

(C) Social Environment

(D) Legal Environment

Correct Answer: (C) Social Environment

Solution:

Concept:

- Business Environment: the social environment comprises social trends, values, attitudes, customs and lifestyles.
- Changing consumer preferences can create business opportunities by changing demand.

Step 1: Connect the trend with the dimension The decisive words are "growing trend towards healthy consumption habits. A preference for healthy food and organic vegetables reflects a change in consumers' lifestyles and attitudes. The resulting demand for organic vegetable seeds therefore illustrates the social environment.

Step 2: Eliminate the other dimensions Economic environment in (A) concerns factors such as income, interest rates and economic conditions; no such factor drives this case. Political environment in (B) concerns political institutions and government attitudes. Legal environment in (D) concerns laws and regulations. Neither a political change nor a legal requirement is given.

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

Quick Tip to Solve: Identify the cause of demand: healthy habits and lifestyle preferences signal the social environment.

4. Shridhan wanted to purchase an electric car. He visited a retail showroom of a car company where these cars were displayed. The Marketing Manager of this showroom told Shridhan that the company offers credit facilities, maintenance services and many other services that help in bringing repeat sales and developing brand loyalty for their cars. The marketing function being discussed by the Marketing Manager in the above case is [1 mark]

(A) Product Designing and Development

(B) Marketing Planning

(C) Customer Support Services

(D) Branding

Correct Answer: (C) Customer Support Services

Solution:

Concept:

- Marketing Management: customer support services include credit, maintenance and after-sales assistance.
- These services improve customer satisfaction, encourage repeat purchases and strengthen brand loyalty.

Step 1: Identify the services in the case The showroom offers "credit facilities, maintenance services and other assistance to buyers. These facilities support customers during and after purchase. The additional reference to "repeat sales and developing brand loyalty describes the benefits of customer support services.

Step 2: Distinguish the other functions Product designing and development in (A) concerns the features and design of the car itself. Marketing planning in (B) concerns plans for attaining marketing objectives. Branding in (D) concerns giving a product a distinctive name, symbol or identity. Loyalty is a result of the services here, not evidence that the function is branding.

Step 3: Conclusion The marketing function is customer support services. Hence, the correct option is (C).

Quick Tip to Solve: Credit and maintenance are customer support services; brand loyalty can be their outcome without making the function branding.

5. Which of the following statement is correct with respect to 'Exchange Mechanism', a feature of Marketing ? [1 mark]

(A) For an exchange it is necessary that there should be involvement of atleast three parties.

(B) The parties do not have the freedom to reject other parties offer.

(C) The acceptance of the offer for each party has to take place on the basis of compulsion.

(D) For an exchange it is necessary that each party should be capable of offering something of value to the other.

Correct Answer: (D) For an exchange it is necessary that each party should be capable of offering something of value to the other.

Solution:

Concept:

- Marketing Management: exchange is the voluntary transfer of something valuable between parties.
- An exchange requires at least two parties, something of value to offer, communication and freedom to accept or reject.

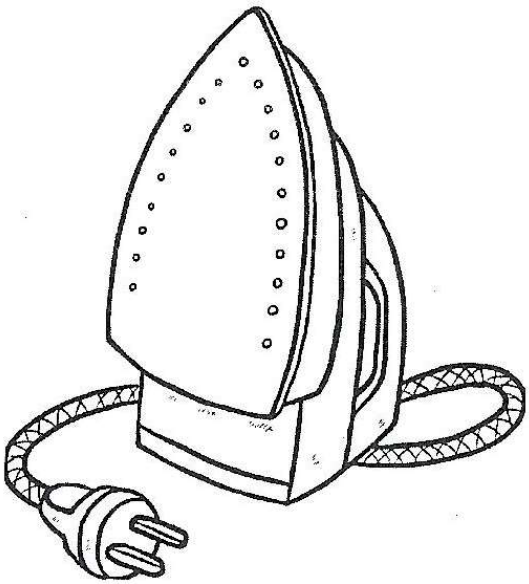
Step 1: Apply the value requirement Each party must be capable of offering something of value to the other, such as a product from the seller and payment from the buyer. This makes exchange possible and directly supports statement (D). The parties must also be able to communicate and deliver what they offer.

Step 2: Check each competing statement Statement (A) is incorrect because at least two parties are needed; three parties are not necessary. Statement (B) is incorrect because each party has the freedom to accept or reject an offer. Statement (C) is incorrect because acceptance must be voluntary rather than based on compulsion. Thus only (D) states a valid condition.

Step 3: Conclusion Each party must be capable of offering value to the other. Hence, the correct option is (D).

Quick Tip to Solve: Test exchange statements against two parties, reciprocal value and voluntary acceptance; compulsion rules an option out.

6. One of the responsibilities of an aware consumer is to buy only standardised goods as they provide quality assurance. Identify the quality certification mark to be seen by a consumer in the picture given below : [1 mark]



(A) ISI Mark

(B) Agmark

(C) Hallmark

(D) FPO/FSSAI Mark

Correct Answer: (A) ISI Mark

Solution:

Concept:

- Consumer Protection: consumers should purchase standardised goods and check the appropriate quality certification.
- The ISI certification mark is associated with conformity to Indian Standards for products such as electrical appliances.

Step 1: Identify the product shown The picture shows an electric iron, which is an electrical appliance. A consumer should look for the ISI mark when buying such a product to check conformity with the relevant Indian Standard. This matches option (A).

Step 2: Distinguish the other certification marks Agmark in (B) concerns agricultural products, so it does not identify the standard for an electric iron. Hallmark in (C) concerns the purity of precious-metal articles such as gold jewellery. FPO/FSSAI in (D) relates to food products and their standards or regulation, rather than electrical appliances. These alternatives therefore do not fit the pictured item.

Step 3: Conclusion For the electric iron, the consumer should look for the ISI mark. Hence, the correct option is (A).

Quick Tip to Solve: First identify the product: electrical appliance means ISI; agricultural produce means Agmark; precious-metal jewellery means Hallmark.

OR

For Visually Impaired Candidates :

6. Madhu wants to buy Jewellery for her daughter's marriage. Which of the following quality certification mark should she look for while buying Jewellery : [1 mark]

(A) FPO/FSSAI Mark

(B) ISI Mark

(C) Hallmark

(D) Eco-mark

Correct Answer: (C) Hallmark

Solution:

Concept:

- Consumer Protection: an aware consumer should check the appropriate quality certification mark before purchasing goods.
- Hallmark certifies the purity or fineness of precious-metal articles such as gold jewellery.

Step 1: Match the purchase to its certification The case states that Madhu wants to buy 'Jewellery for her daughter's marriage'. Jewellery made of precious metals should carry the Hallmark, which provides assurance about the purity or fineness of the metal. Thus, she should look for the certification named in option (C).

Step 2: Eliminate the other marks FPO/FSSAI in (A) relates to food products and their standards or regulation, rather than precious-metal purity. ISI in (B) indicates conformity to Indian Standards for products such as electrical appliances; it is not the jewellery purity mark sought here. Eco-mark in (D) identifies environmentally friendly products and does not certify the fineness of jewellery. Therefore none of these alternatives answers Madhu's particular need.

Step 3: Conclusion Madhu should look for the Hallmark while buying jewellery. Hence, the correct option is (C).

Quick Tip to Solve: Link the product to the assurance required: for precious-metal jewellery, purity is checked through the Hallmark.

7. Which of the following is not a protective function of Securities and Exchange Board of India :

[1 mark]

(A) Prohibition of fraudulent and unfair trade practices.

(B) Controlling insider trading and imposing penalties for such practices.

(C) Promotion of fair practices and code of conduct in securities market.

(D) Undertaking measures to develop the capital markets by adapting a flexible approach.

Correct Answer: (D) Undertaking measures to develop the capital markets by adapting a flexible approach.

Solution:

Concept:

- Financial Markets: SEBI performs protective, regulatory and developmental functions.
- Protective functions safeguard investors against malpractices; developmental functions promote the growth of securities markets.

Step 1: Classify the first three options Prohibiting fraudulent and unfair trade practices in (A) protects investors from manipulation. Controlling insider trading and imposing penalties in (B) prevents misuse of unpublished price-sensitive information. Promoting fair practices and a code of conduct in (C) also protects investors. All three are protective functions.

Step 2: Identify the exception Undertaking measures to develop capital markets by adopting a flexible approach promotes the growth and development of the market. It is classified as a developmental function of SEBI. Since the question asks which function is not protective, this developmental activity is the required exception.

Step 3: Conclusion Developing capital markets through a flexible approach is a developmental function. Hence, the correct option is (D).

Quick Tip to Solve: In a negative SEBI question, classify every activity first: market growth is developmental; prevention of malpractice is protective.

8. There are two Statements, Assertion (A) and Reason (R).

Assertion (A) : Larger the lead time, larger is the quantity of material required to be stored and larger shall be the amount of working capital required.

Reason (R) : If the raw material do not have a record of un-interrupted availability, higher stock levels may be required.

Choose the correct alternative from the alternatives given below : [1 mark]

(A) Assertion (A) is false and Reason (R) is true.

(B) Both Assertion (A) and Reason (R) are false.

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

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

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

Solution:

Concept:

- Financial Management: availability of raw materials affects working capital requirements.
- Lead time is the time between placing an order and receiving the material; stocks must cover this interval.

Step 1: Judge Assertion (A) Assertion (A) is true. A longer lead time requires the business to hold more raw material so production can continue while replenishment is awaited. More money is consequently tied up in inventory, increasing working capital requirements.

Step 2: Judge Reason (R) Reason (R) is true. When raw materials do not have a record of uninterrupted availability, the business needs higher stocks as protection against a shortage and the resulting interruption of production.

Step 3: Relate the statements and test the options Both statements describe the inventory cushion needed when materials cannot be replenished promptly and reliably. Higher stocks bridge the supply interval and absorb interruptions; this explains why a longer replenishment interval increases working capital. Thus (D) is the appropriate printed alternative. Option (A) wrongly calls the assertion false, (B) wrongly calls both false, and (C) wrongly calls the reason false.

Step 4: Conclusion Both statements are true, and the reason explains the need to maintain higher inventories. Hence, the correct option is (D).

Quick Tip to Solve: Link a longer supply wait or unreliable availability to larger inventory and therefore greater working capital.

9. Which of the following statement is correct about personal selling : [1 mark]

(A) It is an impersonal form of communication.

(B) Personal selling does not allow a sales person to develop personal relationships with the prospective customers.

(C) Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making a sale.

(D) Personal selling refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service.

Correct Answer: (C) Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making a sale.

Solution:

Concept:

- Marketing Management: personal selling is a personal, interactive element of the promotion mix.
- Personal selling uses an oral conversation with prospective customers to make a sale.

Step 1: Apply the definition Option (C) correctly describes personal selling: the seller presents a message orally in a conversation with one or more prospective customers, with the purpose of making a sale. The exchange permits immediate questions, clarification and feedback.

Step 2: Eliminate the alternatives Option (A) is incorrect because personal selling is personal communication, whereas advertising is impersonal. Option (B) is incorrect because a salesperson can develop personal relationships with prospective customers. Option (D) describes sales promotion, which uses short-term incentives to stimulate immediate purchase.

Step 3: Conclusion The oral, conversational presentation aimed at making a sale is personal selling. Hence, the correct option is (C).

Quick Tip to Solve: Look for conversation and immediate interaction for personal selling; short-term incentives indicate sales promotion.

10. There are two statements, Assertion (A) and Reason (R) :

Assertion (A) : Coordination ensures unity of action.

Reason (R) : Coordination act as a binding force between departments and ensures that all action is aimed at achieving the goals of the organisation.

Choose the correct alternative from the alternatives given below : [1 mark]

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

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

(C) Assertion (A) is correct, but Reason (R) is wrong.

(D) Assertion (A) is wrong, but Reason (R) is correct.

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

Solution:

Concept:

- Nature and Significance of Management: coordination integrates individual and departmental efforts.
- Coordination ensures unity of action by directing interdependent activities towards common organisational goals.

Step 1: Judge Assertion (A) Assertion (A) is correct. Coordination brings together the efforts of individuals and departments so that their separate activities form a unified course of action towards organisational objectives.

Step 2: Judge Reason (R) Reason (R) is correct. Coordination is a binding force between departments. It reconciles their interdependent activities and ensures that all action is directed towards the goals of the organisation.

Step 3: Check the explanatory relationship The binding force described in the reason is precisely how unity of action is achieved, so the reason correctly explains the assertion. Option (B) incorrectly denies this relationship, (C) incorrectly rejects the reason, and (D) incorrectly rejects the assertion.

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

Quick Tip to Solve: For coordination, connect the binding of departmental efforts directly with unity of action towards common goals.

11. In an informal organisation, authority arises out of _____. [1 mark]

(A) Virtue of position in management

(B) Company's rules and policies

(C) Scalar chain

(D) Personal qualities

Correct Answer: (D) Personal qualities

Solution:

Concept:

- Organising: an informal organisation develops through social interaction and personal relationships.
- In an informal organisation, authority arises from personal qualities and acceptance by group members.

Step 1: Identify the source of influence Option (D), personal qualities, is correct. An informal leader influences other members because they accept the person on the basis of qualities such as competence, experience or the ability to maintain good relationships. This influence is not conferred by a formal appointment.

Step 2: Distinguish formal authority Option (A), virtue of position in management, describes formal authority. Option (B), company rules and policies, belongs to the deliberately established formal organisation. Option (C), scalar chain, is the formal chain of superior-subordinate authority. None is the source of authority in an informal organisation.

Step 3: Conclusion Authority in an informal organisation arises from personal qualities. Hence, the correct option is (D).

Quick Tip to Solve: When the question says informal authority, choose acceptance based on personal qualities rather than official position.

12. HG Air Conditioner Pvt. Ltd. is lagging behind its scheduled production target by a month. Despite a high demand, the company is struggling to meet its production target. Even after taking measures like training of employees and assigning additional workers and equipment to the project, the targets could not be met. The Production Manager, now, decided to revise the standards.

Identify the step of the controlling process under which the Production Manager decided to revise the standards. [1 mark]

(A) Setting performance standards

(B) Measurement of actual performance

(C) Analysing deviations

(D) Taking corrective action

Correct Answer: (D) Taking corrective action

Solution:

Concept:

- Controlling: taking corrective action is the final step of the controlling process.
- Where deviations persist because standards are unrealistic, corrective action may include revising the standards.

Step 1: Identify the decisive action in the case The manager has already tried improving performance through training and additional workers and equipment. The decisive words are "decided to revise the standards. Revision after unsuccessful remedial measures is part of taking corrective action, so (D) applies.

Step 2: Reject the earlier stages Option (A) refers to initially establishing performance standards. Here standards already exist and are being revised after deviations persist. Option (B) concerns ascertaining actual performance, not changing targets. Option (C) concerns investigating the causes and significance of deviations; the manager has moved beyond investigation to a corrective decision.

Step 3: Conclusion Revising standards in response to persistent deviations is taking corrective action. Hence, the correct option is (D).

Quick Tip to Solve: Read the stage in context: revising unrealistic standards after corrective efforts belongs to taking corrective action.

13. Statement – I : Motivation is a complex process as individuals are heterogeneous in their expectations, perceptions and reactions.

Statement – II : Motivation can be either positive or negative.

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 Statement I and Statement II are true.

(D) Both Statement I and Statement II are false.

Correct Answer: (C) Both Statement I and Statement II are true.

Solution:

Concept:

- Directing: motivation is the process of stimulating people to act towards desired goals.
- Motivation is complex and may use positive incentives or negative measures.

Step 1: Evaluate Statement I Statement I is true. Individuals differ in their expectations, perceptions and reactions. The same incentive may therefore produce different responses in different people, making motivation a complex process.

Step 2: Evaluate Statement II and the options Statement II is also true. Positive motivation provides rewards such as recognition or promotion; negative motivation uses the fear of an undesirable consequence, such as a warning, to influence behaviour. Therefore (C) fits both statements. Option (A) wrongly rejects Statement II, (B) wrongly rejects Statement I, and (D) wrongly rejects both.

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

Quick Tip to Solve: Judge each motivation statement separately: differences between people explain complexity, while rewards and threats show its two forms.

14. Alfa Graphics Ltd. was a reputed Indian company which had been in business for many years. The Chief Executive Officer of the company, Rohit Gupta always believed in understanding the business environment as well as responding and adapting to it.

When he found that a foreign multinational company, Leno Graphics, is entering the Indian market with new substitutes, he prepared to meet this threat by reducing cost and creating good quality and aesthetically appealing layouts, advertisements, logos etc. As a result, Alfa Graphics Ltd. was not only able to retain its own customers, but also started getting new projects.

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

(A) Tapping useful resources.

(B) Identifying threats and early warning signals

(C) Improving performance

(D) Identifying opportunities and getting first mover advantage.

Correct Answer: (B) Identifying threats and early warning signals

Solution:

Concept:

- Business Environment: identifying threats and early warning signals enables enterprises to prepare timely responses.
- Threats are external trends and changes that can hinder an enterprise's performance, including the entry of competitors with substitutes.

Step 1: Identify the environmental threat The case illustrates **identifying threats and early warning signals**. The decisive information is that "a foreign multinational company, Leno Graphics, is entering the Indian market with new substitutes". This warns Alfa Graphics of competition that may threaten its existing business.

Step 2: Connect the warning with the response Rohit "prepared to meet this threat by reducing cost" and creating good quality, aesthetically appealing work. Identifying the threat early enables the firm to prepare these measures and protect its market position. This is the textbook illustration of identifying threats and early warning signals, so option (B) is appropriate.

Step 3: Eliminate the other options Option (A) concerns obtaining useful resources rather than detecting a competitive threat. Option (C), improving performance, is a broader benefit and the favourable outcome here; the specific environmental information and preparation described concern an early warning of competition. Option (D) requires an opportunity and first mover advantage, whereas Alfa Graphics is responding to an entering competitor.

Step 4: Conclusion The company identifies a competitive threat early and prepares to meet it. Hence, the correct option is (B).

Quick Tip to Solve: An entering foreign competitor with substitutes is an early warning signal; preparing cost and quality responses identifies the importance tested.

15. Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication.

The point of importance of organizing described above is : [1 mark]

(A) Adaptation to change

(B) Effective administration

(C) Development of personnel

(D) Expansion and growth

Correct Answer: (B) Effective administration

Solution:

Concept:

- Organising: Effective administration results from clearly defined jobs, responsibilities and working relationships.
- Clear job descriptions prevent confusion, overlapping duties and duplication of effort.

Step 1: Identify the importance illustrated The case says organising provides a 'clear description of jobs and related duties' and helps to 'avoid confusion and duplication'. These are direct indicators of effective administration: employees know what they must do, making execution of work orderly and coordinated.

Step 2: Check the other alternatives Adaptation to change concerns adjustment of the organisation to changes in its environment. Development of personnel concerns growth through delegation and opportunities to exercise initiative. Expansion and growth concern adding activities or entering new areas. None of these is the specific benefit described in the question.

Step 3: Conclusion The importance is effective administration. Hence, the correct option is (B).

Quick Tip to Solve: Link clear duties and avoidance of duplication directly with effective administration.

16. Statement – I : Regulation of takeover bids by companies is one of the Regulatory functions of Securities and Exchange Board of India.

Statement – II : Training of intermediaries of securities market is one of the Development functions of Securities and Exchange Board of India.

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

(A) Statement I is correct and Statement II is incorrect.

(B) Statement II is correct and Statement I is incorrect.

(C) Both Statement I and Statement II are correct.

(D) Both Statement I and Statement II are incorrect.

Correct Answer: (C) Both Statement I and Statement II are correct.

Solution:

Concept:

- Financial Markets: SEBI performs protective, developmental and regulatory functions in the securities market.
- Regulatory functions set and enforce market rules; developmental functions improve the capabilities and functioning of the market.

Step 1: Assess Statement I Statement I is correct. Regulation of takeover bids by companies is a regulatory function of the Securities and Exchange Board of India. It brings takeover activity within prescribed rules and procedures, rather than leaving it outside the supervision of the securities-market regulator.

Step 2: Assess Statement II and compare the choices Statement II is also correct. Training intermediaries of the securities market is a developmental function because it improves their knowledge and competence. Thus, (A) wrongly rejects Statement II, (B) wrongly rejects Statement I, and (D) wrongly rejects both. Only (C) accepts both correct classifications.

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

Quick Tip to Solve: Associate takeover regulation with regulatory functions and training with developmental functions.

17. 'High inflation rates generally result in constraints on business enterprises as they increase the various costs of business such as the purchase of raw materials and payment of wages and salaries to employees etc.' The dimension of business environment referred to above is : [1 mark]

(A) Political Environment

(B) Technological Environment

(C) Social Environment

(D) Economic Environment

Correct Answer: (D) Economic Environment

Solution:

Concept:

- Business Environment: The economic environment includes inflation, interest rates, income levels and other economic conditions affecting business.
- Rising input prices and labour costs affect the cost of carrying on business.

Step 1: Identify the economic indicator in the case The decisive expression is 'High inflation rates', followed by increases in the cost of 'raw materials' and 'wages and salaries'. Inflation is a change in the general price level and is an element of the economic environment. The case explains its effect on business costs.

Step 2: Eliminate the other dimensions Political environment concerns political conditions, stability and the attitude of government. Technological environment concerns scientific improvements and new methods of production. Social environment concerns customs, values, traditions and social expectations. The case describes price and cost changes, so these three dimensions do not fit the stated cause.

Step 3: Conclusion The dimension is Economic Environment. Hence, the correct option is (D).

Quick Tip to Solve: When inflation, interest rates, income or general price levels are central, identify the economic environment.

18. Match the concepts of marketing in Column – I with their respective explanations in Column – II :

Column – I	Column – II
(a) Product concept	(i) Its main focus is on quality, performance and feature of the product.
(b) Selling concept	(ii) Its main focus is on satisfaction of customer needs.
(c) Marketing concept	(iii) Its main focus is on aggressively persuading buyer to purchase the existing product.
(d) Societal concept	(iv) Its main focus is on satisfaction of customer needs and society's well-being.

Choose the correct options from the following :

(a) (b) (c) (d) [1 mark]

(A) (iv) (iii) (ii) (i)

(B) (iii) (ii) (i) (iv)

(C) (ii) (i) (iii) (iv)

(D) (i) (iii) (ii) (iv)

Correct Answer: (D) (i) (iii) (ii) (iv)

Solution:

Concept:

- Marketing Management: The product concept stresses product quality, performance and features; the selling concept stresses persuasive selling.
- The marketing concept stresses satisfaction of customer needs, while the societal marketing concept also considers society's well-being.

Step 1: Match the four concepts Product concept matches (i), because quality, performance and features are its focus. Selling concept matches (iii), because it emphasises aggressively persuading buyers to purchase existing products. Marketing concept matches (ii), because satisfaction of customer needs is central. Societal concept matches (iv), because it combines customer satisfaction with society's well-being.

Step 2: Test the printed codes The sequence for (a), (b), (c), (d) is therefore (i), (iii), (ii), (iv). Option (A) wrongly gives product concept the societal explanation and societal concept the product explanation. Option (B) wrongly assigns persuasive selling to product concept. Option (C) wrongly assigns customer satisfaction to product concept and product quality to selling concept. Only (D) matches all four.

Step 3: Conclusion The correct sequence is (i), (iii), (ii), (iv). Hence, the correct option is (D).

Quick Tip to Solve: Separate product quality, selling pressure, customer satisfaction and social welfare before comparing the codes.

19. Sadhna, a graduate of a reputed institute of management, is a successful manager. She applies her acquired knowledge in a personalised and skillful manner in difficult situations at work. She uses her imagination and creativity in handling these situations.

The aspect of the nature of management highlighted in the above case is : [1 mark]

(A) Management as an Art

(B) Management as a Science

(C) Management as a Profession

(D) Management both as a Science and as a Profession

Correct Answer: (A) Management as an Art

Solution:

Concept:

- Nature and Significance of Management: Management as an art involves personal application of existing knowledge with skill and creativity.
- Managers apply theoretical knowledge in their own manner to achieve desired results in practical situations.

Step 1: Identify the features highlighted Sadhna applies knowledge in a 'personalised and skillful manner' and uses 'imagination and creativity'. These expressions describe management as an art. She uses her own judgement and personal skill to apply acquired knowledge to particular work situations, rather than merely repeating a fixed procedure.

Step 2: Distinguish the other descriptions Management as a science emphasises a systematic body of knowledge and principles developed through observation and experimentation. Management as a profession concerns specialised knowledge, training and professional characteristics. Her qualification is background information; the highlighted behaviour is personal, creative application. Therefore, (B), (C), and the combination in (D) do not identify the aspect chiefly illustrated.

Step 3: Conclusion The case highlights Management as an Art. Hence, the correct option is (A).

Quick Tip to Solve: Personalised application, imagination and creativity are direct clues for management as an art.

20. 'The principles of management can be modified by the managers when the situation so demands.' This highlights which of the following feature of principles of management : [1 mark]

(A) General guidelines

(B) Flexible

(C) Contingent

(D) Mainly behavioural

Correct Answer: (B) Flexible

Solution:

Concept:

- Principles of Management: Flexibility means managers can modify the application of principles according to the requirements of a situation.
- Management principles provide general guidance and are not rigid prescriptions that must be applied identically everywhere.

Step 1: Identify the feature in the wording The decisive words are 'can be modified by the managers when the situation so demands'. This highlights flexibility. Managers have discretion to adapt a principle's application to suit the needs of the organisation and the situation, instead of applying it mechanically as a rigid rule.

Step 2: Distinguish the tempting alternatives General guidelines means principles give broad direction and do not provide readymade solutions to every problem. Contingent means their application depends on the prevailing situation. Although related, the explicit emphasis here is on modification, which identifies flexibility. Mainly behavioural means principles influence human behaviour; no such emphasis appears here. Thus, (A), (C) and (D) do not give the most precise feature described.

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

Quick Tip to Solve: Use the word modified as the key clue for flexibility; dependence on conditions points to contingency.

21. P. Madhav is the production manager of 'Trendy Style Pvt. Ltd.', a firm manufacturing office furniture. His objective is to increase production by 20% in the next one year. But the Sales Manager, R. Shetty does not approve of the increase in production, till changes are brought about in the quality of wood, locks, handles etc. to incorporate latest trends. This kind of conflict brings to light an important concept of management that can help to link the activities of various departments.

(i) Identify and explain the concept discussed above.

(ii) State any two points of importance of the concept identified in (i) above. [3 marks]

Solution:

Concept:

- Nature and Significance of Management: coordination integrates the activities of different departments to achieve organisational goals.
- Coordination is needed because departmental specialisation and individual interests may pull

efforts in different directions.

Step 1: Identify and explain the concept **(i) Coordination:** It is the process by which a manager synchronises the activities of different departments and harmonises individual efforts towards a common goal. It provides unity of action and ensures that departments work together rather than pursue incompatible objectives.

Madhav seeks to 'increase production by 20%' while Shetty wants 'changes ... in the quality of wood, locks, handles etc.' first. The words 'link the activities of various departments' point directly to coordination. Production and sales must agree on a common programme that connects the quantity produced with the quality and designs customers require.

Step 2: State two points of importance

- **(ii) Functional differentiation:** Departments have their own objectives and ways of working. These may conflict with one another. Coordination links their activities and reconciles their objectives with the objectives of the organisation. Here, it links production's quantity objective with sales' quality requirements.
- **Specialisation:** Specialists tend to judge work from their own professional perspective and may not accept advice from others. Coordination integrates these different approaches and secures cooperative effort towards common goals instead of allowing specialised departments to work in isolation.

Step 3: Conclusion The concept is coordination. It synchronises departmental activities, and its importance is evident from functional differentiation and specialisation.

Quick Tip to Solve: When departments pursue conflicting targets, identify coordination and connect each importance point to the need for unity of action.

22(a). Give meaning of 'Communication'. State first two elements in the process of communication.

[3 marks]

Solution:

Concept:

- Directing: communication is the exchange of information and understanding between people.
- The communication process begins with the sender and the message, followed by encoding and the other elements through which the message reaches the receiver.

Step 1: Give the meaning of communication **Communication:** Communication is the process of exchange of ideas, views, facts, feelings and other information between two or more persons so as to create common understanding. It involves conveying a message and having its meaning understood by the other person. Thus, simply sending information without establishing understanding does not fulfil the purpose of communication. In management, it connects people so that instructions, suggestions and feedback can be understood and acted upon.

Step 2: State the first two elements

- **Sender:** The sender is the person who conveys thoughts or ideas to the receiver. The sender

initiates the communication process and is the source of the information. For example, a manager communicating an instruction to an employee is the sender.

- **Message:** The message is the content of the ideas, feelings, suggestions, order or other information intended to be communicated. In the example, the instruction that the manager wishes the employee to understand is the message. The message is distinct from encoding, which converts that content into words, symbols or gestures.

Step 3: Conclusion Communication exchanges information to create common understanding. Its first two elements are the sender and the message.

Quick Tip to Solve: Recall the opening NCERT elements as sender, message, encoding: the person is the sender and the content is the message.

OR

22(b). State any three 'Organisational barriers' to Communication. [3 marks]

Solution:

Concept:

- Directing: organisational barriers arise from the policies, rules, authority relationships and structure of the organisation.
- These barriers obstruct the free flow of information between people even when the words used in the message are clear.

Step 1: State barriers arising from policy and rules

- **Organisational policy:** If organisational policy does not support the free flow of communication, it hampers communication effectiveness. For example, a highly centralised arrangement in which all messages must pass through a prescribed chain may discourage people from communicating freely. The obstacle arises from the organisation's approach to communication.
- **Rules and regulations:** Rigid rules and cumbersome procedures can act as barriers. Communication through prescribed channels may cause delay, and a message may have to pass through several formalities before reaching the intended person. Excessive procedural requirements therefore slow down the exchange of information and make communication less effective.

Step 2: State a barrier arising from authority relationships

- **Status:** The status of a superior can create a psychological distance between the superior and subordinates. A subordinate may hesitate to express ideas, problems or information openly because of the superior's higher position. This prevents frank communication and may keep the superior from receiving information needed for decisions. The barrier originates in the authority relationship within the organisation.

Step 3: Conclusion Three organisational barriers are organisational policy, rigid rules and regulations, and status differences between superiors and subordinates.

Quick Tip to Solve: For organisational barriers, use headings tied to the organisation itself: policy, rules and status, then explain how each blocks information.

23. Madhwan was appointed as a Human Resource Manager in 'Health Grow Ltd.' six months back. As a Human Resource Manager, he has to perform many specialised activities and duties like analyzing jobs by collecting information about jobs and prepare job descriptions, training and development of employees etc.

State three other specialized activities that Madhwan must perform in addition to the above as a Human Resource Manager of Health Grow Ltd. [3 marks]

Solution:

Concept:

- Staffing: Human Resource Management involves the specialised activities required to obtain, develop, reward and maintain an effective workforce.
- Job analysis and training and development are already mentioned in the case. Three other human resource activities must therefore be stated.

Step 1: Recruit suitable candidates **Recruitment:** Madhwan must search for prospective employees and encourage suitable people to apply for jobs in Health Grow Ltd. This creates a pool of applicants from which the organisation can fill its vacancies. The case describes his role as a 'Human Resource Manager', which includes obtaining the personnel the organisation needs.

Step 2: Select the employees **Selection:** He must choose the most suitable candidates from the applicants for the available jobs. He can use appropriate tests and interviews to assess candidates against the job requirements. Selection seeks to match the abilities of the person with the demands of the job so that the right person is placed in the right position.

Step 3: Develop compensation and incentive plans **Compensation and incentive plans:** He must develop suitable arrangements for paying employees and rewarding their performance. These include wages or salaries and appropriate incentives. Such plans help attract and retain capable employees and encourage them to work towards organisational objectives.

Step 4: Conclusion Three other specialised activities are recruitment, selection, and developing compensation and incentive plans for the employees of Health Grow Ltd.

Quick Tip to Solve: Underline the two activities already given in the case, then state three different HR activities so that none of your points repeats them.

24(a). State any three points of importance of Financial Planning. [3 marks]

Solution:

Concept:

- Financial Management: Financial planning involves estimating the funds required and determining their sources. It seeks to ensure that adequate funds are available at the right time.
- Its importance includes preparing for future needs, reducing financial uncertainty and coordinating the activities of different business functions.

Step 1: Prepare for future requirements **Forecasts future financial needs:** Financial planning helps the organisation forecast what may happen in future under different business situations. By estimating

the funds needed for proposed activities and identifying suitable sources in advance, the enterprise can prepare for its financial requirements. This helps it face future situations in a better way.

Step 2: Reduce uncertainty about funds **Avoids shocks and surprises:** Financial planning anticipates the financial implications of different situations. It prepares the business for possible shortages or other changes in the availability and use of funds. Such advance preparation reduces financial shocks and surprises and gives managers time to make suitable arrangements.

Step 3: Coordinate business functions **Coordinates various business functions:** Financial planning links the financial requirements of departments such as production and sales with the overall financial resources of the business. Their plans can therefore be made consistent with one another. This facilitates coordination and prevents a department from planning activities without considering the funds available to support them.

Step 4: Conclusion Financial planning helps forecast future financial needs, avoids financial shocks and surprises, and facilitates coordination among various business functions.

Quick Tip to Solve: For importance, explain what financial planning achieves: future preparation, fewer surprises and coordinated departmental plans.

OR

24(b). State any three factors that affect the fixed capital requirements of a company. [3 marks]

Solution:

Concept:

- Financial Management: Fixed capital refers to the funds invested in fixed assets such as land, buildings, plant and machinery, which serve the business over a long period.
- The fixed capital requirement depends on the activities undertaken, their size and the production methods used. These factors determine the amount of long-term investment needed.

Step 1: Consider the nature of business **Nature of business:** A manufacturing enterprise generally requires more fixed capital because it needs plant, machinery and production facilities. A trading concern mainly purchases and sells finished goods and usually needs less investment in such assets. Thus, the nature of the company's operations affects its fixed capital requirement.

Step 2: Consider the scale of operations **Scale of operations:** A company operating on a large scale generally needs more fixed capital than one operating on a small scale. Larger operations require greater production capacity, more space and additional equipment and other fixed assets. Hence, expansion in the scale of business normally increases the funds to be invested in fixed assets.

Step 3: Consider the choice of technique **Choice of technique:** A capital-intensive production technique uses more machinery and therefore requires a larger investment in fixed assets. A labour-intensive technique relies more on human effort and generally needs less expenditure on machinery. For a given operation, the company's choice between these techniques consequently influences its fixed capital requirement.

Step 4: Conclusion Three factors affecting fixed capital requirements are the nature of business, the

scale of operations and the choice of production technique.

Quick Tip to Solve: Link each factor to investment in fixed assets: manufacturing, larger scale and capital-intensive techniques generally require more fixed capital.

25(a). State any four points of importance of 'Directing' function of Management. [4 marks]

Solution:

Concept:

- Directing: importance of the managerial function that guides, instructs, motivates and leads people to achieve organisational objectives.
- Planning and organising prepare the framework for work; directing brings human effort into action and helps sustain coordinated performance.

Step 1: Initiates action **Directing initiates action:** Directing helps to initiate action by people in the organisation towards the attainment of desired objectives. A plan or an allocation of duties cannot produce results by itself. Through instructions and guidance, managers make employees understand what they have to do and how to begin. Thus, directing converts plans into actual performance.

Step 2: Integrates employees' efforts **Directing integrates employees' efforts:** Individuals perform different but related activities. Through directing, managers guide and supervise their work so that each employee's effort contributes to organisational performance. It ensures that individuals work towards common objectives and that the performance of different activities is coordinated, instead of each person pursuing a separate direction.

Step 3: Realises employees' potential **Directing helps realise employees' potential:** Directing motivates employees and provides effective leadership. Managers encourage people to use their abilities fully, satisfy relevant needs and perform to the best of their capabilities. Guidance and encouragement help employees recognise their strengths and make a fuller contribution to the organisation.

Step 4: Facilitates the introduction of change **Directing facilitates change:** Employees may resist changes in methods, technology or working arrangements. Through communication, motivation and leadership, managers explain the purpose and benefits of a proposed change and address employees' doubts. This develops cooperation and helps the organisation introduce necessary changes smoothly.

Step 5: Conclusion Four points of importance of directing are that it initiates action, integrates employees' efforts, helps employees realise their potential and facilitates the introduction of change.

Quick Tip to Solve: Recall action, integration, potential and change; state each as a separate heading and explain how directing produces that benefit.

OR

25(b). State any four limitations of internal sources of recruitment. [4 marks]

Solution:

Concept:

- Staffing: limitations of internal sources of recruitment, under which an organisation fills vacancies from its existing employees through transfers or promotions.
- Although internal recruitment uses familiar employees and can motivate them, exclusive reliance on it restricts the organisation's choice and can adversely affect performance.

Step 1: Employees may become lethargic **Employees may become lethargic:** When employees feel assured of time-bound promotions, they may become complacent and less willing to work hard. If advancement appears to depend mainly on continued service rather than sustained performance, the incentive to improve efficiency is reduced. Thus, dependence on internal recruitment can weaken employees' initiative.

Step 2: No induction of fresh talent **Fresh talent is not inducted:** Internal recruitment restricts the choice of candidates to people already working in the enterprise. It prevents the infusion of fresh talent and new ideas from outside. The organisation may therefore miss candidates with different experience, knowledge and approaches who could contribute to improved methods and organisational development.

Step 3: Not suitable for a new enterprise **Not suitable for a new enterprise:** A newly established enterprise cannot rely on internal recruitment because it does not yet have an existing pool of employees from which to fill its vacancies. It must obtain its initial workforce from outside. Therefore, internal sources cannot meet the recruitment requirements of a new organisation.

Step 4: Competitive spirit may be hampered **Spirit of competition may be hampered:** When recruitment is confined to existing staff, employees do not face competition from suitable outside candidates. The absence of this competitive pressure may reduce their drive to improve their abilities and performance. Internal recruitment can consequently limit the healthy competition that encourages employees to develop themselves.

Step 5: Conclusion Four limitations are employee lethargy, lack of fresh talent, unsuitability for a new enterprise and the possible weakening of the spirit of competition among employees.

Quick Tip to Solve: Recall lethargy, fresh talent, new enterprise and competition; explain each separately instead of repeating the restriction on choice.

26(a). Explain the following external sources of recruitment :

(i) Direct Recruitment

(ii) Casual Callers [4 marks]

Solution:

Concept:

- Staffing: recruitment means searching for prospective employees and stimulating them to apply for jobs in an organisation.
- External sources of recruitment obtain candidates from outside the organisation. Direct recruitment and casual callers are two such sources.

Step 1: Explain direct recruitment

- **Meaning and procedure:** Under direct recruitment, the organisation places a notice on its notice board specifying the details of the available jobs. Job seekers assemble outside its premises on the specified date, and suitable persons are selected on the spot.
- **Suitability and benefit:** This source is generally used to fill vacancies of unskilled or semi-skilled workers. Such workers are often known as casual or badli workers and are paid wages for the days they actually work. It is inexpensive because it avoids advertising costs and helps meet temporary labour shortages or a sudden increase in work.

Step 2: Explain casual callers

- **Meaning and procedure:** Many reputed business organisations receive unsolicited applications from job seekers even when no vacancy has been advertised. They maintain a database of these applications and contact suitable applicants when a vacancy arises.
- **Suitability and benefit:** The organisation can screen the stored applications against the requirements of the vacant job and invite eligible candidates for selection. This readily available pool reduces the time and cost of recruitment, since the organisation need not begin a fresh search each time a suitable vacancy occurs.

Step 3: Conclusion Direct recruitment selects suitable job seekers who assemble at the organisation's premises, whereas casual callers provide a pool of unsolicited applications that can be considered when vacancies arise.

Quick Tip to Solve: Remember the source of the candidate pool: direct recruitment uses a notice and an on-the-spot gathering; casual callers use applications already received without an advertisement.

OR

26(b). Explain the following non-financial incentives which motivate employees for higher performance :

(i) Employee participation

(ii) Organisational climate [4 marks]

Solution:

Concept:

- Directing: motivation stimulates people to act in a desired manner to achieve organisational goals. Incentives can satisfy financial as well as psychological and social needs.
- Non-financial incentives motivate employees through such needs as recognition, participation, responsibility and a supportive work environment. Employee participation and organisational climate are two such incentives.

Step 1: Explain employee participation

- **Meaning and method:** Employee participation means involving employees in decision-making on issues related to them. Organisations encourage participation through committees such as joint management committees, work committees and canteen committees, in which employees can express their views and offer suggestions.
- **Effect on motivation:** Participation makes employees feel that their knowledge and opinions are valued. It satisfies their need for recognition and involvement, creates a sense of belonging, and encourages them to accept responsibility for implementing decisions. This willingness to contribute motivates better performance.

Step 2: Explain organisational climate

- **Meaning and features:** Organisational climate refers to the characteristics that describe an organisation and distinguish it from others. These include individual autonomy, reward orientation, consideration for employees, risk-taking and the degree of openness in communication.
- **Effect on motivation:** These characteristics influence the behaviour of people in the organisation. A positive climate that allows employees appropriate freedom, recognises their contribution and encourages initiative makes them feel supported and trusted. It promotes a favourable attitude to work and motivates employees to improve their performance.

Step 3: Conclusion Employee participation motivates by giving employees a voice in decisions affecting them, while a positive organisational climate motivates through a supportive environment that encourages contribution and initiative.

Quick Tip to Solve: Link participation with involvement in decisions, and organisational climate with the organisation's working characteristics; explain how each satisfies an employee's psychological or social needs.

27. Abha had guests at home. She ordered vegetable, biryani from 'Biryani House'. The biryani came in a beautiful packaging and Abha opened it with lot of excitement. However, when she started serving biryani to the guests, she realised that it was non-vegetarian. She checked the package and noticed that there was no indication whether it was a vegetarian or non-vegetarian biryani. She contacted 'Biryani House' for the same. The manager at 'Biryani House' apologized and immediately sent a vegetarian biryani along with complimentary sweet dish.

Identify and explain the two consumer rights discussed in the above case. [4 marks]

Solution:

Concept:

- Consumer Protection: the right to be informed entitles a consumer to complete and accurate information about a product before deciding to buy or consume it.
- Consumer Protection: the right to seek redressal entitles a consumer to relief against unfair trade practices or exploitation, including replacement or compensation where appropriate.

Step 1: Identify and explain the right to be informed **Right to be informed:** A consumer has the right to complete information about the product, including its ingredients, quality, quantity, price, date of manufacture and other relevant particulars. Such information enables an informed choice and prevents a seller from concealing material facts. For packaged food, whether it is vegetarian or non-vegetarian is relevant product information.

In Abha's case, the package had 'no indication whether it was a vegetarian or non-vegetarian biryani'. This absence of information violates her right to be informed. Beautiful packaging cannot replace the disclosure of the nature of the food supplied.

Step 2: Identify and explain the right to seek redressal **Right to seek redressal:** A consumer has the right to obtain relief against defective goods, deficient services or unfair trade practices. Depending on the loss and the circumstances, relief may include replacement of the product, refund of its price or compensation for the injury or loss suffered.

Abha had ordered vegetable biryani but received non-vegetarian biryani. When she complained, the manager 'immediately sent a vegetarian biryani along with complimentary sweet dish'. The replacement corrected the wrong supply, and the complimentary dish provided additional relief. This illustrates redressal of her grievance.

Step 3: Conclusion The two rights are the **right to be informed**, violated by the missing vegetarian/non-vegetarian indication, and the **right to seek redressal**, illustrated by the replacement biryani and complimentary sweet dish.

Quick Tip to Solve: Link missing product information to the right to be informed; link replacement, refund or compensation after a complaint to the right to seek redressal.

28. 'Tech Work' an Artificial Intelligence (AI) startup started in 2024. It was earning good profits. It wanted to expand its business and for its research and development, it required ₹ 100 crores.

The Chief Executive Officer of 'Tech Work' consulted the Finance Manager who suggested that there is a market which facilitates transfer of investible funds from savers to entrepreneurs seeking to establish new enterprises or expand existing ones through the issue of securities.

The management of 'Tech Work' decided to raise funds from the investors by issuing equity shares @ ₹ 200 per share for the first time.

(i) Name the type of capital market through which 'Tech Work' decided to raise funds for its expansion.

(ii) State three features of the market identified in (i) above. [4 marks]

Solution:

Concept:

- Financial Markets: the primary market, also called the new issue market, deals with securities issued for the first time and channels savings into productive investment.
- Business Finance: an enterprise can raise fresh capital through the primary market to establish a new business, expand an existing undertaking or modernise it.

Step 1: Name the market and apply the case evidence **(i) Primary market or new issue market:** 'Tech Work' decided to raise funds through the primary market. The decisive clue is that it would issue equity shares 'for the first time'. These are new securities issued by the company to obtain fresh capital for its expansion and research and development.

The Finance Manager's reference to the transfer of investible funds from savers to entrepreneurs also describes the role of the primary market. The investors' subscription money becomes available to the company to finance its business plans.

Step 2: State three features of the primary market **(ii) New securities:** The primary market deals with new securities being issued for the first time. It is therefore also known as the new issue market. 'Tech Work's' first issue of equity shares falls in this category.

Direct transfer of funds to the issuer: Funds flow from investors subscribing to the securities to the issuing company. The company receives the capital raised; the transaction does not merely transfer existing securities from one investor to another.

Capital formation and business development: It enables enterprises to raise long-term capital for setting up new businesses or for expanding, diversifying or modernising existing businesses. Thus, it channels savings into productive investment and supports capital formation. Here, the proposed expansion and research and development are the purposes for raising fresh funds.

Step 3: Conclusion 'Tech Work' will use the **primary market**. Its three features are dealing in new securities, transferring subscription funds directly to the issuer, and supplying fresh long-term capital for business establishment or development.

Quick Tip to Solve: Look for 'issued for the first time' and ask who receives the money: fresh funds received by the company identify the primary market.

29. Ganesh Jain is the Marketing Manager at 'KL Foods Ltd'. He has a team of four employees working under him – Kavya, Ritesh, Pooja and Madhav. Kavya and Ritesh are temporary employees while Pooja and Madhav's job is permanent. All four of them have been working hard and consistently met all targets. Ganesh Jain wanted to reward them for their good performance. He understood that in all human beings, there exists a hierarchy of needs. So, he identified the need level of each of the employees to provide motivation to them.

Kavya and Ritesh were made permanent in the job with a good pension plan while Pooja and Madhav were given an autonomy status.

(i) Identify and state the need of employees recognized by Ganesh Jain in the above case.

(ii) State any two assumptions on which Maslow's Need Hierarchy Theory is based on. [4 marks]

Solution:

Concept:

- Directing: Maslow's Need Hierarchy Theory explains motivation through a hierarchy of human needs. Different employees may be motivated by different needs, depending on which needs remain unsatisfied.
- Safety or security needs concern protection from physical and economic insecurity. Esteem needs include self-respect, autonomy, status, recognition and respect from others.

Step 1: (i) Identify the needs of the two groups

- **Safety or security needs – Kavya and Ritesh:** The case states that they were "made permanent in the job with a good pension plan". A permanent job provides stability of employment, while a pension protects income after retirement. Both reduce insecurity about the future and therefore satisfy safety or security needs.
- **Esteem needs – Pooja and Madhav:** The case states that they "were given an autonomy status". Autonomy and status are elements of esteem needs. Since these employees already have permanent jobs, greater independence in their work and an enhanced standing can satisfy their need for self-respect and recognition.

Step 2: (ii) State two assumptions of Maslow's theory

- **Behaviour depends on needs:** People's behaviour is based on their needs, and satisfaction of such needs influences their behaviour. A manager should therefore identify the need that is active for an employee before selecting an incentive.
- **Needs follow a hierarchy:** People's needs are arranged in a hierarchical order, starting from basic physiological needs and progressing towards higher-order needs. A person moves towards a higher need when the lower-level need has been satisfied.

Step 3: Conclusion Ganesh Jain recognised safety or security needs for Kavya and Ritesh and esteem needs for Pooja and Madhav. Maslow assumes that needs influence behaviour and that needs are arranged in a hierarchy.

Quick Tip to Solve: Link permanent employment and pension to security; link autonomy and status to esteem, even when the case mentions hard work or performance.

30. VK Ltd. is a fast moving consumer goods company. It has shareholders spread all over India. Most of its shareholders depend upon a regular income from their investment.

VK Ltd. has been earning consistent profits. The management of the company keeps in mind the preference of the shareholders regarding payment of dividend. Since its shareholders, in general, desire that atleast a certain amount is paid as dividend to them every year, the company declares dividend every year.

Atul, the Finance Manager of the company identified promising growth opportunities. He suggested to the Chief Executive Officer to retain the earnings to finance the required investments instead of declaring dividend every year. For this, the Chief Executive Officer decided to call a General Body Meeting of the shareholders.

(i) Identify two factors affecting dividend decision discussed above.

(ii) State two other factors that affect the dividend decision of a company. [4 marks]

Solution:

Concept:

- Financial Management: A dividend decision concerns the portion of earnings distributed to shareholders and the portion retained in the business for future investment.
- Shareholders' preference and growth opportunities influence this division. Cash flow position and legal constraints are two other factors affecting the dividend decision.

Step 1: (i) Identify two factors discussed in the case

- **Shareholders' preference:** The case says that most shareholders "depend upon a regular income from their investment" and desire that "atleast a certain amount is paid as dividend to them every year". When shareholders prefer regular dividends, the company takes this preference into account while deciding how much of its earnings to distribute. This explains VK Ltd.'s practice of declaring a dividend every year.
- **Growth opportunities:** Atul identified "promising growth opportunities" and suggested retaining earnings "to finance the required investments". A company with good growth prospects needs funds for investment and may retain a larger portion of earnings. This reduces the portion available for dividends and explains his suggestion.

Step 2: (ii) State two other factors affecting dividend decisions

- **Cash flow position:** Dividend involves an outflow of cash. Therefore, a company must have adequate cash available to pay it. Even a profitable company may be unable to declare a high dividend if it lacks sufficient cash.
- **Legal constraints:** The law places restrictions on the payment of dividends, such as the requirement to pay them out of permitted profits. The company must comply with these restrictions while deciding the dividend and cannot distribute funds contrary to legal provisions.

Step 3: Conclusion The two factors identified are shareholders' preference and growth opportunities. Cash flow position and legal constraints are two other factors that affect a company's dividend decision.

Quick Tip to Solve: Match shareholders' desire for regular income to shareholders' preference, and the need to fund new investments to growth opportunities.

31(a). Explain the following principles of General Management :

(i) Scalar chain

(ii) Equity

(iii) Initiative [6 marks]

Solution:

Concept:

- Principles of Management: Fayol's scalar chain prescribes a formal line of authority and communication from the highest to the lowest rank.
- Equity requires just and kind treatment, while initiative encourages employees to think out and execute plans within the organisation's rules.

Step 1: (i) Scalar chain

- **Meaning:** Scalar chain is the chain of superiors ranging from the ultimate authority to the lowest rank. Fayol states that organisations should have this chain of authority and communication and that managers and subordinates should normally follow it. A message moving between different branches therefore travels through their prescribed superiors.
- **Gang plank in an emergency:** Strictly following the whole chain may delay an urgent communication. Fayol therefore permits a gang plank, a direct link between employees at the same level in different departments, to shorten the route when urgent action is required. It enables quick communication without abandoning the normal chain for routine work.

Step 2: (ii) Equity

- **Meaning:** Equity means justice and kindness in the behaviour of managers towards workers. Employees should receive fair and impartial treatment, without discrimination on grounds such as sex, religion, language, caste or nationality. This encourages loyalty and devotion to the organisation.
- **Fairness with discipline:** The principle does not prohibit necessary force or stern action. Managers may discipline a negligent worker, but their decisions should rest on fair standards rather than favouritism. Employees should have equal opportunities to perform and develop their abilities.

Step 3: (iii) Initiative

- **Meaning:** Initiative means thinking out and executing a plan. Workers should be encouraged to develop and carry out plans for improvement within the prescribed limits of authority and discipline. The opportunity to act on their ideas makes them feel involved and increases their interest in work.
- **Encouragement by management:** Managers should invite constructive suggestions, recognise useful ideas and allow employees reasonable freedom to implement them. A suggestion system that rewards worthwhile ideas can encourage initiative. Initiative does not mean disregarding established practices merely for the sake of being different.

Step 4: Conclusion Scalar chain establishes the formal route of authority and communication, equity ensures fair and kind treatment, and initiative encourages employees to plan and act constructively within organisational discipline.

Quick Tip to Solve: Pair each principle with its key phrase: scalar chain—formal authority and gang plank; equity—justice and kindness; initiative—thinking out and executing plans.

OR

31(b). 'Objectives of Management can be classified into organisational, social and personal objectives.' Explain these objectives. [6 marks]

Solution:

Concept:

- Nature and Significance of Management: management seeks organisational, social and personal objectives, balancing the interests of the enterprise, society and employees.
- Organisational objectives include survival, profit and growth; social objectives concern society's welfare; personal objectives concern employees' needs and aspirations.

Step 1: Organisational objectives

- **Survival:** The basic objective of every business is to survive. Management must ensure that the organisation earns sufficient revenue to cover its costs and continues to operate. It must use available human and material resources effectively to secure the enterprise's continued existence.
- **Profit and growth:** Profit is essential to cover costs and risks and acts as an incentive for continued successful operation. Management must also exploit the organisation's growth potential so that it remains in the industry. Growth may be measured through increased sales, a larger workforce or capital investment, and an increase in the number or range of products.

Step 2: Social objectives

- **Benefit to society:** As a part of society, an organisation must create benefits for society and fulfil its social obligations. It should supply good-quality products at reasonable prices and use environmentally friendly methods of production so that its activities serve the community and conserve resources.
- **Community welfare:** Social objectives include providing employment opportunities, especially to disadvantaged sections of society, and supporting basic amenities such as schools, healthcare or creches for employees. Such actions recognise that business has responsibilities beyond earning profits for its owners.

Step 3: Personal objectives

- **Satisfying individual needs:** Employees join an organisation to satisfy different needs. Management should address their financial needs through competitive salaries and benefits, their social needs through peer recognition and association, and their higher-level needs through opportunities for personal growth and development.
- **Reconciling individual and organisational goals:** Different employees have different personalities, backgrounds and aspirations. Management should integrate these personal objectives with organisational objectives so that employees gain satisfaction while contributing to the enterprise. Fair rewards, recognition and development opportunities help create this harmony.

Step 4: Conclusion Management must secure the organisation's survival, profit and growth, fulfil its responsibilities towards society, and satisfy employees' personal needs by integrating them with organisational goals.

Quick Tip to Solve: Organise the answer around enterprise, society and employees; under enterprise, explicitly name survival, profit and growth, and give concrete examples for the other two categories.

32(a). Explain the following points of importance of 'Planning' function of management :

(i) Planning provides directions.

(ii) Planning promotes innovative ideas.

(iii) Planning reduces the risk of uncertainty. [6 marks]

Solution:

Concept:

- Planning, in NCERT's Principles and Functions of Management, means setting objectives and deciding in advance the appropriate course of action to achieve them.
- Its importance includes giving direction to action, encouraging new ideas and preparing the organisation for uncertain future conditions.

Step 1: (i) Planning provides directions **Clear objectives:** Planning states in advance what is to be achieved. These objectives give employees and managers a definite purpose towards which their efforts should be directed.

Guidance for action: A plan specifies the course of action needed to achieve the objectives. Employees know what work to do and how their activities contribute to organisational goals. Departments can therefore work in a coordinated manner instead of moving in different directions. For example, a sales target guides the production and sales departments in deciding their activities. Without planning, work can become random and employees may lack a clear understanding of the organisation's goals.

Step 2: (ii) Planning promotes innovative ideas **Opportunity for new ideas:** Since planning is the first function of management, it is the stage at which new ideas can take concrete shape as plans. Managers think about what should be done and consider different ways of doing it.

Creative thinking: Searching for and evaluating alternative courses of action encourages managers to question existing practices and develop better methods. A new idea may suggest a better product, a new market or a more economical method of operating. Thus, planning is an intellectual activity that encourages innovation and guides the future growth and prosperity of the business.

Step 3: (iii) Planning reduces the risk of uncertainty **Anticipating future conditions:** Planning looks ahead. Managers examine available information and make forecasts about changes in demand, technology, competition and other conditions that may affect the organisation.

Preparing suitable responses: By anticipating possible events, managers can decide in advance how to respond and can prepare alternative courses of action. For example, anticipating a rise in demand allows a firm to arrange production capacity and materials beforehand. Planning cannot eliminate change or make the future completely certain, but it helps managers prepare for developments and reduces the risk arising from uncertainty.

Step 4: Conclusion Planning gives a common direction to organisational efforts, encourages innovative ways of achieving objectives and reduces uncertainty by anticipating future events and preparing suitable responses.

Quick Tip to Solve: For each importance point, explain how planning produces that benefit: clear goals give direction, alternatives encourage ideas, and forecasts prepare the business for change.

OR

32(b). Explain 'Objectives', 'Rule' and 'Budget' as types of plans. [6 marks]

Solution:

Concept:

- NCERT's Planning chapter distinguishes types of plans according to their purpose and use. Objectives state the ends to be achieved, rules prescribe specific behaviour, and budgets express expected results numerically.
- These plans guide action at different levels: objectives determine the destination, rules govern conduct in specified situations, and budgets allocate resources and provide numerical standards.

Step 1: Objectives **Meaning:** Objectives are the desired future positions or end results that an organisation seeks to reach. They are the end points towards which organisational activities are directed and provide the starting point for planning.

Features and example: Objectives should be clear and capable of being expressed in measurable terms within a specified period. Top management sets the overall objectives, which guide the objectives of departments and individuals. Other plans are prepared to achieve these ends. For example, a company may set an objective of increasing its annual sales by ten per cent in the next financial year. This tells managers what result their activities must achieve; it does not itself prescribe every action needed to achieve it.

Step 2: Rule **Meaning:** A rule is a specific statement that informs employees what must or must not be done in a particular situation. It reflects a managerial decision that a certain action must, or must not, be taken.

Features and example: A rule is the simplest type of plan because it specifies the required action without allowing discretion or flexibility in its application. It must be followed unless management changes it. Rules help establish uniform behaviour and discipline in recurring situations. For example, a rule that smoking is prohibited in the factory requires everyone to comply with that prohibition. Unlike a policy, which guides decision-making within limits, a rule does not leave a choice about the prescribed behaviour.

Step 3: Budget **Meaning:** A budget is a statement of expected results expressed in numerical terms for a specified period. It translates a plan into measurable quantities and is therefore also called a numerised plan.

Features and example: Budgets may be stated in money or in physical units, such as units of output, labour hours or machine hours. They help allocate resources and coordinate activities. A production budget, for example, may specify the number of units to be produced during the next quarter, while a cash budget estimates expected cash receipts and payments. By comparing actual results with budgeted figures, managers can identify deviations and take corrective action. Thus, a budget is both a planning instrument and a standard for controlling performance.

Step 4: Conclusion Objectives define the results to be achieved; rules state specific actions that must or must not be taken; and budgets express expected results numerically for a defined period.

Quick Tip to Solve: Remember the distinction through one question for each plan: objectives answer what result, rules answer what is compulsory or prohibited, and budgets answer how much.

33. DG Ltd., an E-plane car company has developed a revolutionary flying car for passenger mobility. This hybrid flying car can accommodate upto two persons and features innovative wing like doors for comfortable entry. The seats are designed for utmost comfort, crafted from high quality materials.

The distinguishing feature of this flying car is that its production will be in India and it will utilise biofuel alongside electricity, ensuring a sustainable mode of transportation.

DG Ltd. has obtained the first testing approval for its category. Priced at ₹ 2.5 crores, the company has to take decisions in respect of discounts to customers, credit terms etc., so that the customers perceive the price to be in line with the value of the product.

To make the flying car available to the target customers, DG Ltd. is in the process of selecting dealers or intermediaries to reach the customers, providing support to the intermediaries etc.

To communicate the availability, features, merits etc. of the product to the target customers and persuade them to buy the flying car. DG Ltd. decided to go in for digital marketing campaigns, press releases and demos conducted by influencers and journalists.

The above case describes the combination of elements used by DG Ltd. to prepare its market offering.

Quoting lines from the above para, identify and explain the elements. [6 marks]

Solution:

Concept:

- Marketing Management: the marketing mix is the set of marketing tools that a firm uses to pursue its marketing objectives in a target market. Its four elements are product, price, place and promotion.
- These four elements together determine the firm's market offering: what benefit is offered, what the buyer pays, where it is available and how customers learn about it.

Step 1: Identify and explain product **Product:** "This hybrid flying car can accommodate upto two persons and features innovative wing like doors for comfortable entry. The seats are designed for utmost comfort, crafted from high quality materials."

Product means the goods or services, including their benefits, offered to satisfy customers' needs. Product decisions concern features, quality, design, branding, packaging and related services. Here, DG Ltd.'s flying car offers passenger mobility; its two-person capacity, wing-like doors and comfortable high-quality seats form part of the product offering. The use of biofuel alongside electricity is another distinctive product feature.

Step 2: Identify and explain price **Price:** "Priced at Rs 2.5 crores, the company has to take decisions in respect of discounts to customers, credit terms etc., so that the customers perceive the price to be in line with the value of the product."

Price is the amount of money customers have to pay to obtain the product. Pricing decisions include fixing the basic price, discounts, allowances and credit terms. DG Ltd. must set these terms so that the amount customers pay corresponds to the value they perceive in the flying car. Thus, both its stated price and the associated payment terms belong to this element.

Step 3: Identify and explain place **Place or physical distribution:** "DG Ltd. is in the process of selecting dealers or intermediaries to reach the customers, providing support to the intermediaries etc."

Place involves activities that make the product available to target customers. Its decisions include choosing channels of distribution, selecting and supporting intermediaries, and arranging physical movement, storage and inventory. In the case, the selection and support of dealers establish the channel through which the flying car will reach its intended buyers.

Step 4: Identify and explain promotion **Promotion:** "DG Ltd. decided to go in for digital marketing campaigns, press releases and demos conducted by influencers and journalists."

Promotion means communicating the product's availability, features and merits to target customers and persuading them to buy it. Firms use tools such as advertising, personal selling, sales promotion and public relations. DG Ltd.'s campaigns, press releases and demonstrations communicate information about the flying car, build awareness and interest, and encourage purchase. These activities therefore represent the promotion element of its marketing mix.

Step 5: Conclusion DG Ltd.'s market offering combines all four elements of the marketing mix: product, price, place and promotion.

Quick Tip to Solve: Match features to product, payment terms to price, dealers to place, and campaigns or press releases to promotion; quote a separate case line for each.

34. 'Royal Glaze Ltd.' continues to maintain its position as one of the largest consumer goods companies in the world. Its organisational structure is designed to facilitate the achievement of its objectives in alignment with its vision statement. The company maintains two distinct product divisions in its organisational structure – 'Foods' and 'Home Care'.

Looking ahead, the company is focusing on embracing changes so that it can continue to be the market leader. As part of its expansion plans, it is planning to venture into the electronics segment in the near future.

(i) Identify the organisational structure of 'Royal Glaze Ltd'.

(ii) Draw the organisational structure chart of 'Royal Glaze Ltd.' considering its future plans to enter into Electronics segment.

(iii) State any three advantages of the type of organisational structure drawn in (ii) above. [6 marks]

Solution:

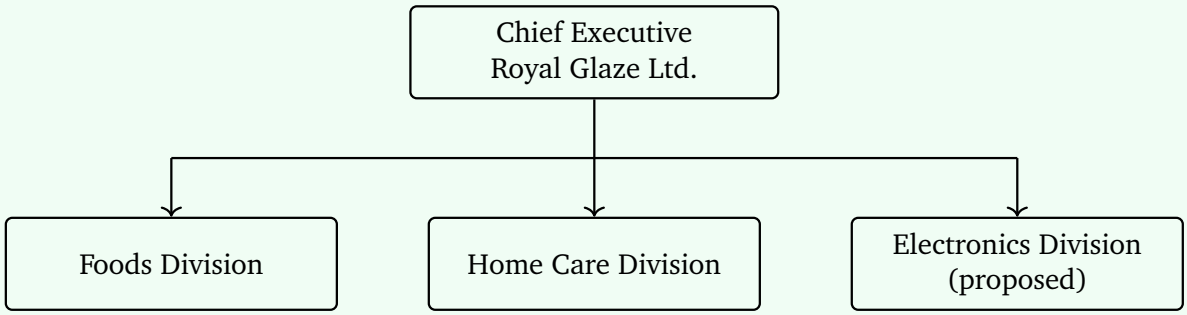
Concept:

- Organising: a divisional structure groups activities around products or product lines. Each product division operates as a relatively autonomous unit under the overall direction of the company's top management.
- A divisional structure is suitable for a large enterprise dealing in several product categories. Each division can coordinate the functions needed for its own product and be held accountable for its performance.

Step 1: (i) Identify the organisational structure Royal Glaze Ltd. follows a **divisional organisational structure**. The identifying words are that the company maintains "two distinct product divisions" named "Foods" and "Home Care". The basis of grouping is the product category, so these are product divisions. Under this structure, activities related to a particular product category are brought together

under the manager of that division.

Step 2: (ii) Include the proposed Electronics division The chart below shows the company's divisional structure after its proposed expansion. **Foods, Home Care and Electronics** are three parallel product divisions reporting to the Chief Executive at the top. Electronics is added as a new division alongside the existing two; it is not placed under either Foods or Home Care. Each division can organise the activities needed for its own product line within the company's overall policies.



Divisional organisational structure of Royal Glaze Ltd. after the proposed expansion

Step 3: (iii) State three advantages of the divisional structure

- **Product specialisation and managerial development:** Each divisional head gains experience in the different functions relating to a product. This develops varied skills and prepares managers for higher positions. For Royal Glaze Ltd., the managers of Foods, Home Care and Electronics can develop expertise in their respective product categories while handling the functions needed to manage that product business.
- **Accountability for performance:** The revenue and costs of each division can be identified separately, making it easier to assess its profit or loss and hold its manager responsible for its performance. Royal Glaze Ltd. can therefore compare divisional results, locate a poorly performing division and take suitable corrective action.
- **Expansion and growth:** A new division can be added without disrupting the functioning of existing divisions. Thus, Royal Glaze Ltd. can establish its proposed Electronics division while Foods and Home Care continue their activities. This makes the structure suitable for its expansion into a new product category.

Step 4: Conclusion Royal Glaze Ltd. has a **divisional structure**. Its future chart has Foods, Home Care and Electronics as separate product divisions under top management. Three advantages are product specialisation and managerial development, accountability for performance, and ease of expansion and growth.

Quick Tip to Solve: When a case groups work by products such as Foods, Home Care and Electronics, identify a divisional structure and place all three product divisions at the same level in the chart.