CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/1/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. 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 removes deviations between actual performance and planned standards.
- Standards may be revised when deviations persist despite improvements in resources and performance.

Step 1: Locate the decisive action The decisive words are 'The Production Manager, now, decided to revise the standards'. Training employees and assigning additional workers and equipment had failed to close the production shortfall. Revising an unrealistic standard at this stage is a corrective measure.

Step 2: Distinguish the other stages Setting standards establishes initial benchmarks; measuring performance records actual output; analysing deviations identifies causes of a gap. Here these stages have already led to attempts at improvement, and the final decision concerns corrective action.

Step 3: Conclusion Taking corrective action; the correct option is (D).

Quick Tip to Solve: When standards are revised after unsuccessful remedial efforts, identify corrective action rather than initial standard setting.

2. 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:

- Coordination: unity of action integrates departmental effort towards common organisational goals.
- Coordination binds different activities together so that separate efforts form a unified whole.

Step 1: Judge Assertion (A) Assertion (A) is correct. Coordination harmonises the efforts of individuals and departments, preventing their activities from pulling the organisation in different directions.

Step 2: Judge Reason (R) Reason (R) is correct. Coordination is a binding force between departments and directs their actions towards organisational goals.

Step 3: Check the explanation and alternatives The binding force described in R is precisely how unity of action arises, so R correctly explains A. Option (B) wrongly denies this link; (C) wrongly calls R false; (D) wrongly calls A false.

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

Quick Tip to Solve: For coordination questions, link the binding of departmental efforts directly to unity of action and common goals.

3. 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 inventory holdings and working capital requirements.
- Lead time is the interval between placing an order and receiving the material; stocks bridge that interval.

Step 1: Judge Assertion (A) Assertion (A) is true. A longer lead time requires a larger stock of materials to keep production running until the next delivery arrives. More funds consequently remain invested in inventory, increasing working capital needs.

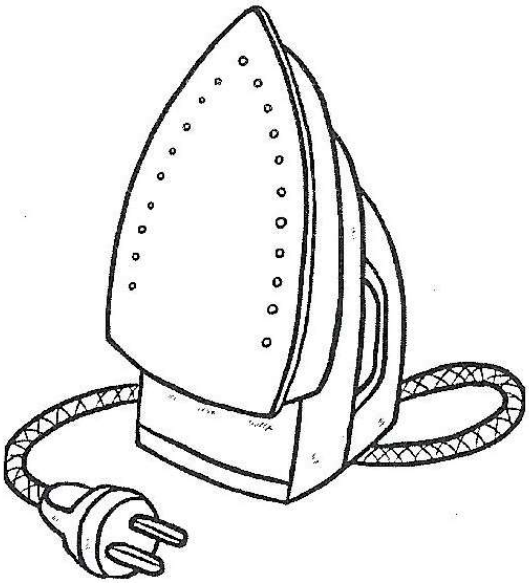
Step 2: Judge Reason (R) Reason (R) is true. When raw material supplies are not uninterrupted, the business needs higher stock levels as protection against interruptions.

Step 3: Relate the reason to the assertion Both statements concern maintaining adequate material stocks while replenishment is awaited. The supply-availability reason explains the need to hold a larger stock for a longer replenishment period. Of the printed alternatives, (D) therefore applies. Options (A) and (C) wrongly reject one true statement, while (B) wrongly rejects both.

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

Quick Tip to Solve: Connect longer replenishment time with more material held in stock and therefore more funds tied up in working capital.

4. 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:

- An aware consumer checks the appropriate quality certification mark before buying standardised goods.
- Certification marks provide quality assurance and must be matched to the kind of goods being purchased.

Step 1: Identify the product shown The picture shows an electric iron, a household electrical appliance. The relevant quality assurance mark for this product is the ISI Mark. A consumer should check this mark when purchasing such electrical goods.

Step 2: Eliminate the other marks Agmark applies to agricultural products, so option (B) does not fit an electric iron. Hallmark certifies the purity of precious-metal jewellery, so option (C) is unsuitable. FPO/FSSAI Mark concerns food products, so option (D) is also unsuitable.

Step 3: Conclusion The consumer should look for the ISI Mark. Hence, the correct option is (A).

Quick Tip to Solve: Identify the product category first: an electric iron calls for the ISI Mark.

For Visually Impaired Candidates :

4. 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:

- A responsible consumer checks the quality certification appropriate to the product; Hallmark provides assurance about the purity of precious-metal jewellery.
- Certification marks provide quality assurance and must be matched to the kind of goods being purchased.

Step 1: Apply the certification to jewellery Madhu wants to buy jewellery for her daughter's marriage. The word 'Jewellery' identifies the product category. She should look for Hallmark, which certifies the purity of precious metals used in jewellery.

Step 2: Reject the unrelated certifications Option (A), FPO/FSSAI Mark, concerns food products. Option (B), ISI Mark, is the standard certification associated with industrial products such as electrical appliances. Option (D), Eco-mark, identifies environment-friendly products rather than certifying jewellery purity. None answers the specific requirement in the case.

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

Quick Tip to Solve: For jewellery, connect Hallmark with precious-metal purity before checking the options.

5. 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 facilitate purchases and improve the experience of using a product.
- Credit facilities, maintenance and after-sales assistance help generate repeat sales and brand loyalty.

Step 1: Identify the services in the case The clues are 'credit facilities, maintenance services' and services that bring 'repeat sales' and 'brand loyalty'. These help the customer purchase and use the electric car, so they describe customer support services.

Step 2: Eliminate the other functions Product designing and development concerns product features and improvements. Marketing planning sets marketing objectives and programmes. Branding gives a product an identifying name or symbol. Although support can increase brand loyalty, providing these services is not the branding function.

Step 3: Conclusion Customer Support Services; the correct option is (C).

Quick Tip to Solve: Classify credit, maintenance and after-sales facilities as customer support even when their benefit is described as brand loyalty.

6. 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 takes responsibility for its overall survival.
- Top managers analyse the business environment and coordinate the activities of different departments.

Step 1: Use the organisation-wide clues Bimal Rai must 'integrate diverse elements and coordinate the activities of different departments'. He also 'analyses the business environment' for the firm's survival. These are overall responsibilities of top management.

Step 2: Distinguish lower managerial levels Middle managers translate top management plans into departmental action and coordinate with other departments within the framework given to them. Operational managers supervise day-to-day work and workers. Neither operational management nor the combination in (D) accounts for overall environmental analysis and organisational survival.

Step 3: Conclusion Top level management; the correct option is (A).

Quick Tip to Solve: Look for responsibility for the entire organisation and its survival to identify top management in a case.

7. 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 is the possibility of failing to meet fixed financial obligations.
- Debt creates compulsory interest and repayment commitments, increasing exposure to financial

risk.

Step 1: Match the definition The question expressly refers to inability to meet fixed financial charges, including interest and repayment obligations. This is financial risk: the firm may not generate enough funds to honour its financing commitments when due.

Step 2: Eliminate the other choices Operating risk relates to operating activities and operating cost commitments. Business risk concerns uncertainty in operating earnings arising from business conditions. These do not specifically name failure to pay financing charges. Since financial risk directly matches the definition, none of the above is also incorrect.

Step 3: Conclusion Financial risk; the correct option is (B).

Quick Tip to Solve: Use the words interest and repayment as direct clues to financial risk, which concerns compulsory financing obligations.

8. 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 involves obtaining a desired product by offering something of value in return.
- Exchange requires at least two parties, each able to offer value, communicate and act voluntarily.

Step 1: Apply the requirement of value For exchange to occur, each party must possess something that the other party values. A buyer may offer money and a seller may offer a good or service. Thus the statement in option (D) correctly identifies an essential condition of exchange.

Step 2: Check the remaining statements Option (A) is incorrect because at least two parties are needed; three are not essential. Option (B) is incorrect because each party must be free to accept or reject the offer. Option (C) is incorrect because acceptance must be voluntary, rather than based on compulsion.

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

Quick Tip to Solve: For exchange questions, check value, two parties and freedom to accept or reject.

9. 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: art is the personal and skilful application of existing knowledge to achieve desired results.
- Management as an art involves personalised application, creativity and practice.

Step 1: Identify the evidence in the case Sadhna applies knowledge in a 'personalised and skillful manner' and uses 'imagination and creativity'. These expressions describe management as an art: managers adapt their knowledge and skill to the circumstances instead of applying it mechanically.

Step 2: Distinguish the other aspects Option (B) concerns a systematic body of knowledge and principles. Option (C) concerns professional characteristics such as specialised knowledge and training. Her management qualification alone does not identify the aspect highlighted by the case. Option (D) omits art and combines two aspects that do not capture its decisive evidence.

Step 3: Conclusion The highlighted aspect is management as an art. Hence, the correct option is (A).

Quick Tip to Solve: Link personalised application, imagination and creativity directly to management as an art.

10. 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 because people differ; it may use positive incentives or negative pressure.

Step 1: Evaluate Statement I Statement I is true. Individuals differ in their expectations, perceptions and reactions, so the same incentive need not produce the same response in everyone. Managers must understand individual needs, making motivation a complex process.

Step 2: Evaluate Statement II and the options Statement II is also true. Positive motivation uses rewards, appreciation or recognition, while negative motivation uses the threat of punishment, such as disciplinary action. Option (A) wrongly rejects Statement II, option (B) wrongly rejects Statement I, and option (D) wrongly rejects both. Only option (C) accepts both valid features.

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 before choosing the combined truth option.

11. 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 clear jobs, duties and working relationships.
- Clarity about responsibilities prevents confusion and duplication of effort.

Step 1: Connect the case to the importance of organising The case states that organising provides a 'clear description of jobs and related duties' and helps 'avoid confusion and duplication'. Clear responsibilities allow work to proceed systematically and enable managers to administer operations effectively.

Step 2: Eliminate the other benefits Option (A), adaptation to change, concerns adjusting the organisation to environmental changes. Option (C), development of personnel, arises through delegation and opportunities to take responsibility. Option (D), expansion and growth, concerns accommodating larger operations. These are benefits of organising but are not the specific benefit described here.

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

Quick Tip to Solve: When clear jobs prevent confusion and duplication, select effective administration.

12. 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 emphasises product quality, performance and features.
- The selling, marketing and societal marketing concepts respectively emphasise selling effort, customer satisfaction, and customer satisfaction with social welfare.

Step 1: Match the first two concepts The product concept matches (i), since it focuses on quality, performance and features of the product. The selling concept matches (iii), since it stresses aggressive persuasion to sell the existing product, rather than starting with customer needs.

Step 2: Match the remaining concepts and test the codes The marketing concept matches (ii), satisfaction of customer needs. The societal concept matches (iv), customer satisfaction together with society's well-being. The complete sequence is therefore (i), (iii), (ii), (iv). Option (A) wrongly assigns social welfare to the product concept. Options (B) and (C) also give incorrect product and selling matches; neither fits all four definitions.

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

Quick Tip to Solve: Start with product quality and societal welfare; then distinguish selling effort from customer needs.

13. 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, regulatory and developmental functions.
- Regulating takeover bids is regulatory; training securities-market intermediaries is developmental.

Step 1: Evaluate Statement I Statement I is correct. Regulation of takeover bids by companies is a regulatory function of SEBI. It provides oversight of such transactions within the securities market and ensures that prescribed requirements are followed.

Step 2: Evaluate Statement II and eliminate alternatives Statement II is also correct. Training intermediaries develops the skills and capabilities needed for the orderly growth of the securities market, so it is a developmental function. Option (A) incorrectly denies this developmental role. Option (B) incorrectly denies the regulatory classification of takeover bids. Option (D) incorrectly rejects both statements.

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 rules and intermediary training with market development.

14. 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 oral communication with prospective buyers to make a sale.
- Personal interaction allows a salesperson to respond to buyers and develop relationships.

Step 1: Identify the definition Personal selling involves oral presentation of a message through conversation with one or more prospective customers for the purpose of making a sale. The salesperson can explain the product, answer questions and adapt the presentation to the buyer. Option (C) states this definition correctly.

Step 2: Reject the competing descriptions Option (A) is incorrect because personal selling is a personal form of communication; advertising is impersonal. Option (B) is incorrect because personal selling permits development of personal relationships with prospective customers. Option (D) describes sales promotion, whose short-term incentives encourage immediate purchase, rather than personal selling.

Step 3: Conclusion The correct definition of personal selling is given in option (C).

Quick Tip to Solve: Separate personal selling (conversation) from advertising (impersonal) and promotion (incentives).

15. '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:

- Dimensions of business environment: economic environment.

- Use the defining textbook feature and the decisive words in the question to choose the best alternative.

Step 1: Economic forces affect business costs The case refers to "high inflation rates" and rising costs of "raw materials" and "wages and salaries". Inflation is an economic condition: a general rise in prices increases input costs and constrains business operations. These clues identify the economic environment.

Step 2: Eliminate the other dimensions Political environment concerns government attitudes and political conditions, not inflation. Technological environment concerns scientific improvements and methods of production. Social environment concerns customs, values and consumption habits. None of these is the direct source of the price-level and cost changes stated here.

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

Quick Tip to Solve: Link inflation, interest rates and income changes directly to the economic environment.

16. 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:

- Formal and informal organisation: sources of authority.
- Use the defining textbook feature and the decisive words in the question to choose the best alternative.

Step 1: Identify the basis of informal influence An informal organisation develops spontaneously through social interaction among people. Its leaders gain acceptance because of personal qualities such as knowledge, experience, confidence and the ability to influence colleagues. Their authority depends on acceptance by the group.

Step 2: Distinguish the formal sources Virtue of position in management, option (A), is a source of formal authority. Company rules and policies, option (B), belong to the deliberately established formal system. The scalar chain, option (C), is the formal line of superior-subordinate authority. These do not explain authority in an informal organisation.

Step 3: Conclusion Personal qualities. Hence, the correct option is (D).

Quick Tip to Solve: Ask whether influence comes from a job title or acceptance by colleagues; the latter is informal.

17. 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: (C) Improving performance

Solution:

Concept:

- Importance of business environment: improving performance through adaptation.
- Use the defining textbook feature and the decisive words in the question to choose the best alternative.

Step 1: Connect environmental understanding with the result Rohit believed in "responding and adapting" to the environment. He reduced costs and improved the quality and appeal of the designs when the competitor entered. The firm consequently "retain[ed] its own customers" and "started getting new projects". This successful adjustment shows how understanding the environment improves performance.

Step 2: Compare the alternatives Option (A) concerns obtaining inputs and resources; this is not the central issue. Option (B), identifying threats and early warning signals, describes noticing the competitor, but the case goes further to stress adaptation and the resulting success. Option (D) concerns exploiting an opportunity before others; Alfa is an established firm responding to entry, not gaining a first-mover advantage. Option (C) best captures the overall case and its final outcome.

Step 3: Conclusion Improving performance. Hence, the correct option is (C).

Quick Tip to Solve: When a case stresses adaptation followed by customer retention and growth, identify improving performance.

18. 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:

- SEBI: protective and developmental functions.
- Use the defining textbook feature and the decisive words in the question to choose the best alternative.

Step 1: Classify the function that develops the market Undertaking measures to develop capital markets by adopting a flexible approach is a developmental function of SEBI. Its purpose is to encourage the growth and functioning of the securities market. Therefore it is the option that is not a protective function.

Step 2: Check the protective alternatives Option (A) protects investors by prohibiting fraudulent and unfair trade practices. Option (B) protects them by controlling insider trading and penalising its misuse. Option (C) promotes fair practices and a code of conduct, which also protects investors. All three are protective functions, so they cannot answer the question asking for the exception.

Step 3: Conclusion Undertaking measures to develop the capital markets by adapting a flexible approach. Hence, the correct option is (D).

Quick Tip to Solve: Underline "not" first; distinguish investor protection from measures intended to develop the market.

19. 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:

- Dimensions of business environment: social environment.

- Use the defining textbook feature and the decisive words in the question to choose the best alternative.

Step 1: Identify the change in consumer preferences The decisive clue is the "growing trend towards healthy consumption habits". Such habits reflect changing lifestyles, attitudes and preferences in society. They create demand for seeds used to grow organic vegetables. This is the social dimension of the business environment.

Step 2: Rule out the other dimensions Option (A), economic environment, would involve factors such as inflation, income or interest rates; none is the stated cause of demand. Option (B), political environment, concerns political conditions and government attitudes. Option (D), legal environment, concerns laws and regulations. The case names neither a political change nor a legal requirement, so these alternatives do not fit.

Step 3: Conclusion Social Environment. Hence, the correct option is (C).

Quick Tip to Solve: Focus on the stated cause of demand: changing habits and lifestyles point to the social environment.

20. 'The application of principles of management dependent upon the prevailing situation at a particular point of time and application of these principles has to be changed as per requirements.' This statement highlights which of the following features of principles of management : [1 mark]

(A) General guidelines

(B) Flexible

(C) Contingent

(D) Mainly behavioural

Correct Answer: (C) Contingent

Solution:

Concept:

- Nature of principles of management: contingent application.
- Use the defining textbook feature and the decisive words in the question to choose the best alternative.

Step 1: Identify dependence on circumstances The statement explicitly says application is "dependent upon the prevailing situation at a particular point of time". Principles of management are contingent because their application depends on the circumstances facing the manager. The situation must be considered before deciding how a principle should operate.

Step 2: Distinguish the closely related alternatives Option (B), flexible, means that principles are not rigid prescriptions and managers can modify them. Here, however, dependence on the prevailing situation is the decisive wording and specifically indicates contingency. Option (A), general guidelines, means broad guidance rather than ready-made solutions. Option (D), mainly behavioural, concerns their influence on human behaviour. Neither captures this situation-dependent application.

Step 3: Conclusion Contingent. Hence, the correct option is (C).

Quick Tip to Solve: Use "depends on circumstances" for contingent; use "can be modified" for flexible.

21. 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 specialised activities concerned with obtaining, developing, compensating and maintaining an effective workforce.
- The question already gives job analysis and training and development; three different human resource activities must therefore be stated.

Step 1: Identify the scope of the question Madhwan is the Human Resource Manager. The case mentions 'analyzing jobs by collecting information about jobs and prepare job descriptions' and 'training and development of employees'. These are already specified duties, so they should not be repeated as the three additional activities.

Step 2: State three other specialised activities

- **Recruiting candidates:** He must search for prospective employees and attract suitable candidates to apply for jobs in Health Grow Ltd. This creates a pool of applicants from which employees can be selected.
- **Developing compensation and incentive plans:** He must develop suitable wage, salary and incentive arrangements for employees. Such plans provide remuneration for their services and encourage effective performance.
- **Maintaining labour relations and union-management relations:** He must maintain constructive relations between employees, their representatives and management. This helps address employee concerns and promotes cooperation in the organisation.

Step 3: Conclusion Three other specialised activities are recruiting candidates, developing compensation and incentive plans, and maintaining labour relations and union-management relations.

Quick Tip to Solve: Exclude the two duties already supplied in the case; choose three separate activities from the human resource management list.

22(a). Give the meaning of 'Leadership'. State any two features of 'Leadership'. [3 marks]

Solution:

Concept:

- Directing: leadership is the process of influencing the behaviour of people by making them strive voluntarily towards the achievement of organisational goals.
- Leadership involves influence and interpersonal relations between a leader and followers; it is directed towards common organisational objectives.

Step 1: Give the meaning of leadership **Meaning:** Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards the achievement of organisational goals. A leader guides and inspires followers so that they willingly contribute their efforts to common objectives. The emphasis is on influencing people and securing their willing participation in work.

Step 2: State any two features of leadership

- **Leadership indicates the ability to influence others:** A leader affects the behaviour and actions of followers. Through guidance, example and encouragement, the leader directs their efforts towards the desired organisational goals.
- **Leadership involves interpersonal relations between the leader and followers:** It operates through relations among people. Followers respond to the leader, while the leader also understands their needs and responses. Thus leadership exists in a relationship between a leader and those being led.

Step 3: Conclusion Leadership means influencing people to work voluntarily towards organisational goals. Two features are the ability to influence others and interpersonal relations between the leader and followers.

Quick Tip to Solve: In the definition, include influence, voluntary effort and organisational goals; then state two distinct textbook features.

OR

22(b). State any three 'Personal Barriers' to communication. [3 marks]

Solution:

Concept:

- Directing: personal barriers to communication arise from the personal characteristics, attitudes and interests of the sender or the receiver.
- Fear of challenge to authority, lack of confidence in subordinates and unwillingness to communicate can prevent the free and effective exchange of information.

Step 1: Identify what makes these barriers personal Personal barriers are connected with the people participating in communication. A superior's attitude towards subordinates, or an individual's reluctance to share information, may obstruct a message even when the communication channel is available. The following are three personal barriers.

Step 2: State three personal barriers

- **Fear of challenge to authority:** A superior who fears that a particular communication may adversely affect his or her authority may withhold or suppress the information. This prevents the free flow of messages.
- **Lack of confidence of the superior in subordinates:** If a superior does not trust the competence of subordinates, the superior may not seek their advice or opinions. Useful suggestions and feedback therefore fail to reach the decision-maker.
- **Unwillingness to communicate:** Subordinates may be unwilling to communicate with their

superiors if they believe the information may adversely affect their interests. They may withhold information rather than convey it honestly and completely.

Step 3: Conclusion Three personal barriers are fear of challenge to authority, lack of confidence of the superior in subordinates, and unwillingness to communicate.

Quick Tip to Solve: Link each barrier to an individual attitude or interest; avoid substituting semantic or organisational barriers.

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23. 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 efforts of different departments to achieve organisational objectives.
- Coordination is needed because departments specialise in different activities and may pursue their own goals at the expense of the common goal.

Step 1: (i) Identify and explain coordination **Coordination:** It is the process by which a manager synchronises the activities of different departments. It provides the common thread that binds their efforts and ensures unity of action in pursuing organisational goals. Here, production seeks to "increase production by 20%", while sales wants changes in "quality of wood, locks, handles etc." first. Coordination would harmonise the quantity target with the product improvements needed by sales, so both departments work towards the firm's overall interests.

Step 2: (ii) Two points of importance **Functional differentiation:** Departments have specialised activities and their own objectives. Coordination reconciles these differences and links interdependent activities. In this case, the production and sales departments must agree on the product specifications and the production plan to prevent conflicting actions.

Growth in size: As an organisation grows, the number of employees increases. People may have different interests and ways of working. Coordination integrates their efforts and aligns individual objectives with organisational objectives, ensuring that everyone contributes to a common purpose.

Step 3: Conclusion The concept is coordination. Its importance includes reconciling functional differentiation and integrating efforts as an organisation grows.

Quick Tip to Solve: Use the disagreement between production and sales to identify coordination; then state two distinct reasons why organisations need it.

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

Solution:

Concept:

- Financial Management: financial planning estimates a business's fund requirements and specifies the sources from which they will be met.
- Its importance lies in preparing for future financing needs and linking financial decisions with business plans.

Step 1: 1. Prepare for future situations **Helps in forecasting:** Financial planning forecasts what may happen in the future under different business situations. It helps the firm prepare for possible changes instead of being taken by surprise. By anticipating its future financing requirements, the business can decide in advance how the necessary funds will be arranged and how they will be used.

Step 2: 2. Avoid shocks and surprises **Avoids business shocks and surprises:** A financial plan anticipates the likely need for funds and the timing of receipts and payments. It makes arrangements for finance in advance and helps the business cope with contingencies. This reduces the possibility that an unexpected shortage of funds will interrupt its planned operations.

Step 3: 3. Coordinate business functions **Helps in coordination:** Financial planning links plans for sales, production, purchases and investment with the finance available to implement them. It helps the different departments work within a consistent financial framework. Consequently, departmental plans can be coordinated so that the business has the financial resources required to carry out its overall plan.

Step 4: Conclusion Financial planning helps forecast future situations, avoids business shocks and surprises, and coordinates business functions.

Quick Tip to Solve: For each point of importance, connect financial planning with a benefit: preparing, preventing disruption, or coordinating 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 means investment in fixed assets used in the business for a long period.
- The amount required depends on the nature of the business, its scale and the technique of production, among other factors.

Step 1: 1. Nature of business **Nature of business:** A trading concern generally needs less fixed capital than a manufacturing concern. A trader mainly buys and sells goods and does not normally need a manufacturing plant. A manufacturer must invest in assets such as factory buildings, machinery and equipment. Thus, the kind of business carried on determines the types and amount of fixed assets

required.

Step 2: 2. Scale of operations **Scale of operations:** A business operating on a larger scale normally requires more fixed capital than one operating on a smaller scale. Larger operations require greater production capacity and more investment in facilities, plant and machinery. A smaller business can usually operate with fewer fixed assets and therefore needs a smaller fixed-capital investment.

Step 3: 3. Choice of technique **Choice of technique:** A capital-intensive organisation relies more heavily on machinery and equipment and therefore needs a larger investment in fixed assets. A labour-intensive organisation relies more on human effort and generally requires less investment in machinery. Hence, with other conditions comparable, the capital-intensive technique leads to higher fixed-capital requirements.

Step 4: Conclusion Three factors affecting fixed-capital requirements are the nature of business, scale of operations and choice of technique.

Quick Tip to Solve: Explain the direction of each factor: manufacturing, larger scale and capital-intensive production generally require more fixed capital.

25(a). State any four benefits of staffing to the organisation. [4 marks]

Solution:

Concept:

- Staffing: the managerial function of finding and placing the right person in the right job through recruitment, selection, placement, training and development.
- Effective staffing improves organisational performance by securing competent personnel, matching people to jobs and using human resources efficiently.

Step 1: Benefits relating to selection and performance

- **Obtaining competent personnel:** Staffing helps the organisation discover and obtain competent people for different jobs. Recruitment attracts suitable applicants and selection identifies those with the qualifications and abilities required. The organisation therefore has capable employees available to perform its activities.
- **Higher performance:** Staffing improves performance by putting the right person on the right job. When an employee's knowledge, skills and aptitude match the demands of the post, the employee can carry out the assigned duties effectively. This improves individual performance and, consequently, the performance of the organisation.

Step 2: Benefits relating to continuity and resource use

- **Continuous survival and growth:** Staffing supports the survival and growth of the enterprise by developing managers and other employees. Training and development prepare personnel for greater responsibilities and ensure that capable successors are available to fill important positions when vacancies arise.
- **Optimum utilisation of human resources:** Staffing helps avoid both overstaffing and under-staffing. Assessing manpower requirements and placing suitable employees in appropriate jobs

prevents waste of labour and excessive personnel costs, while ensuring that work does not suffer because too few people are available.

Step 3: Conclusion Thus, staffing provides competent personnel, improves performance, supports continuous survival and growth, and ensures optimum utilisation of human resources.

Quick Tip to Solve: State four distinct organisational benefits: competent people, higher performance, continuity and optimum use of personnel.

OR

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

Solution:

Concept:

- Staffing: internal recruitment means filling vacancies from the organisation's existing employees, mainly through transfers and promotions.
- Its merits arise from using a known workforce and providing existing employees with opportunities for advancement and suitable placement.

Step 1: Benefits for motivation and employee assessment

- **Motivates employees:** Promotion offers existing employees the opportunity to move to higher positions with greater responsibility, status and rewards. The prospect of advancement encourages employees to improve their performance. They are also more likely to remain loyal to an organisation that recognises their work and offers career growth.
- **Simpler selection and placement:** The organisation already has information about the abilities, experience, work record and behaviour of its employees. It can therefore judge their suitability for a vacancy more reliably and with less effort. Since the person is familiar with the organisation, less induction and orientation are required than for a completely new entrant.

Step 2: Benefits for development and workforce adjustment

- **Develops future managers:** Transfers give employees experience in different jobs, departments or locations. This broadens their knowledge of the organisation and helps develop employees who can later take up higher positions. Internal movement thus serves as a means of training and preparing personnel for future responsibilities.
- **Balances surplus and shortage of manpower:** Transfers enable the organisation to move employees from departments with surplus staff to departments facing a shortage. This makes better use of the available workforce and helps meet staffing needs without immediately recruiting additional employees from outside.

Step 3: Conclusion Four merits of internal recruitment are employee motivation, simpler selection and placement, development of future managers, and adjustment of manpower surplus and shortage through transfers.

Quick Tip to Solve: Link promotion to motivation and link transfers to development and balancing staff between departments.

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

(i) Employment Exchange

(ii) Web Publishing [4 marks]

Solution:

Concept:

- Staffing: external recruitment means searching for prospective employees outside the organisation and encouraging them to apply for its vacancies.
- Employment exchanges and web publishing are two sources that connect employers seeking staff with people seeking employment.

Step 1: (i) Employment Exchange **Meaning and operation:** Employment exchanges run by the government maintain records of registered job seekers, including their qualifications and experience. An employer informs the exchange about vacancies and the qualifications required; the exchange supplies names of suitable candidates from its records for consideration.

Suitability and limitation: These exchanges are particularly useful for recruiting unskilled and skilled operative workers. They help match demand for labour with its supply, but the records may not always be up to date and may not represent all suitable candidates. The employer therefore still needs to screen and select the applicants referred by the exchange.

Step 2: (ii) Web Publishing **Meaning and operation:** Web publishing uses the Internet to locate prospective employees. Organisations advertise vacancies on their own websites or on specialised recruitment websites. Job seekers can search these vacancies, submit applications and upload their resumes online; employers can also search databases of resumes for candidates with the required qualifications.

Reach and convenience: It is a widely used external source because vacancy information can reach a large number of candidates quickly and economically, across geographical boundaries. For example, recruitment websites such as Naukri and Monster provide a platform where employers and job seekers can exchange information. An online application begins recruitment; it does not replace the organisation's subsequent selection process.

Step 3: Conclusion An employment exchange refers registered job seekers against employers' stated requirements, while web publishing uses online vacancy advertisements and resume databases to attract applicants from outside the organisation.

Quick Tip to Solve: For each source, explain how the employer reaches candidates: government registration and referral for an exchange, and online vacancies and resumes for web publishing.

OR

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

(i) Employee Empowerment

(ii) Job Enrichment [4 marks]

Solution:

Concept:

- Directing: non-financial incentives motivate employees by satisfying psychological, social and higher-order needs rather than by offering a direct monetary reward.
- Empowerment gives employees authority and autonomy, while enrichment makes the content of their jobs more challenging and meaningful.

Step 1: (i) Employee Empowerment **Meaning:** Employee empowerment means giving employees greater autonomy and decision-making authority in performing their work. Instead of requiring approval for every routine decision, management gives them scope to exercise judgement and take responsibility within the authority assigned to them.

Motivating effect: When employees receive such authority, they feel that the organisation trusts them and values their abilities. Their jobs appear more important, and they develop confidence, a sense of ownership and responsibility for results. This helps them use their skills and talents, contributes to their personal growth and encourages higher performance. Empowerment is therefore more than allocating extra work: it provides the authority needed to act.

Step 2: (ii) Job Enrichment **Meaning:** Job enrichment means designing a job to include a greater variety of work content and to require a higher level of knowledge and skill. An enriched job gives the employee more responsibility and autonomy, opportunities for personal growth and a meaningful work experience.

Motivating effect: The work becomes more interesting and challenging because it offers achievement and scope to use and develop abilities. Clear feedback about performance also helps the employee judge results and improve. Such meaningful work provides recognition and satisfaction, strengthening willingness to perform well. Merely adding more repetitive tasks would increase the volume of work; enrichment improves the quality and responsibility of the job itself.

Step 3: Conclusion Employee empowerment motivates through greater authority, trust and autonomy. Job enrichment motivates through challenging and meaningful work, responsibility, growth opportunities and feedback on performance.

Quick Tip to Solve: Link empowerment to decision-making authority; link enrichment to richer job content, responsibility, growth and feedback. Explain the motivation created by each.

27. 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 determines the proportion of earnings distributed to shareholders and the proportion retained in the business for future requirements.
- Shareholders' preference and growth opportunities influence this balance. Cash availability and legal restrictions also affect the company's ability to declare dividends.

Step 1: (i) Identify the two factors discussed

- **Shareholders' preference:** The case states 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 dividend income, the company takes that preference into account while deciding the amount of dividend. 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 attractive growth prospects generally needs more funds for investment. It therefore retains a greater portion of its earnings and distributes a smaller portion as dividends.

Step 2: (ii) State two other factors

- **Cash flow position:** Payment of dividend involves an outflow of cash. Even a profitable company must have sufficient cash available to pay dividends. A strong cash flow position supports a higher dividend, whereas inadequate cash availability can restrict payment.
- **Legal constraints:** The provisions of company law place restrictions on the payment of dividends. A company must comply with these provisions while declaring a dividend; its dividend decision cannot disregard the legal conditions governing such payment.

Step 3: Conclusion (i) The two identified factors are **shareholders' preference** and **growth opportunities**. (ii) Two other factors are **cash flow position** and **legal constraints**.

Quick Tip to Solve: Link regular-income expectations to shareholders' preference, and investment needs to growth opportunities; then choose two different factors for part (ii).

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 towards investment in enterprises.
- The issuing company receives the funds raised by issuing new securities. These funds can finance a new business or expansion, diversification and modernisation of an existing business.

Step 1: (i) Identify the capital market Tech Work decided to raise funds through the **primary market**, also known as the **new issue market**. The decisive words are "issuing equity shares ... for the first time". The company is creating and offering new securities to investors to finance its expansion and research and development. This is the primary-market stage of capital raising.

Step 2: (ii) State three features of the primary market

- **Deals in new securities:** This market deals with securities being issued for the first time. It is therefore known as the new issue market. Tech Work's first issue of equity shares is an example of such an issue.
- **Direct flow of funds to the company:** Securities are sold by the company to investors, directly or through intermediaries. The funds raised flow from investors to the issuing company. Thus, the money subscribed to Tech Work's new equity issue becomes available to Tech Work for its stated business requirements.
- **Finances establishment and expansion:** The market facilitates the transfer of investible funds from savers to entrepreneurs seeking to establish new enterprises or expand existing ones. It also provides funds for diversification and modernisation. Here it enables Tech Work to mobilise capital for expansion and research and development.

Step 3: Conclusion (i) Tech Work will raise funds through the **primary market (new issue market)**. (ii) It deals in newly issued securities, channels investors' funds to the issuing company, and finances the establishment or expansion of business enterprises.

Quick Tip to Solve: A fresh issue that brings funds into the company identifies the primary market; check who receives the issue proceeds before naming the market.

29. 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 enables consumers to obtain complete product information and make an informed purchase decision.
- The right to seek redressal entitles a consumer to relief against unfair trade practices or unsatisfactory goods and services.

Step 1: Identify and explain the right to be informed **Right to be informed:** A consumer has a right to complete information about a product, including its ingredients, quality, quantity, purity, price and other relevant particulars, so that an informed choice can be made. Necessary information should be supplied through appropriate labels and disclosures. In this case, Abha noticed that 'there was no indication whether it was a vegetarian or non-vegetarian biryani'. The absence of this essential information on the package violates her right to be informed: attractive packaging cannot replace an accurate disclosure of the nature of the food.

Step 2: Identify and explain the right to seek redressal **Right to seek redressal:** A consumer has a right to obtain relief when goods or services fall short of the seller's commitments or expectations reasonably arising from the purchase. Depending on the complaint, relief may include replacement, refund or compensation for loss or injury. Abha ordered vegetarian biryani but received non-vegetarian biryani. When she complained, the manager 'immediately sent a vegetarian biryani along with complimentary sweet dish'. Replacing the incorrect order and offering the complimentary dish illustrates redressal of her grievance.

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

Quick Tip to Solve: Link missing package information to the right to be informed, and replacement or compensation after a complaint to the right to seek redressal.

30. 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 relates motivation to the satisfaction of needs arranged in a hierarchy.
- Safety/security needs include job security and stability of income; esteem needs include autonomy, status, recognition and respect.

Step 1: (i) Identify and state the needs of the employees **Safety/security needs — Kavya and Ritesh:** These needs concern security and protection against physical and emotional harm, including job security and stability of income. They were temporary employees and 'were made permanent in the job with a good pension plan'. Permanency provides job security, while the pension plan provides financial security for the future. Thus, Ganesh recognised their safety/security needs.

Esteem needs — Pooja and Madhav: These include self-respect, autonomy, status, recognition and attention. Their jobs were already permanent, and they 'were given an autonomy status'. Autonomy gives them greater independence and responsibility in their work, satisfying esteem needs. It should not be confused with self-actualisation, which concerns realising one's full potential and achieving personal growth.

Step 2: (ii) State two assumptions of the theory **Behaviour is based on needs:** People's behaviour is based on their needs, and satisfaction of such needs influences their behaviour. An employee's unsatisfied needs therefore guide the manager's choice of a motivating reward.

Needs follow a hierarchy: People's needs are arranged in a hierarchical order, starting from basic physiological needs and moving towards higher-level needs. This order is physiological, safety/security, affiliation/belongingness, esteem and self-actualisation. Ganesh accordingly recognised different need levels instead of assuming that all four employees would be motivated by the same reward.

Step 3: Conclusion Kavya and Ritesh's **safety/security needs** and Pooja and Madhav's **esteem needs** were recognised. Two assumptions are that behaviour is based on needs and that needs are arranged in a hierarchy.

Quick Tip to Solve: Use the precise cue: permanency and pension indicate security; autonomy and status indicate esteem in Maslow's hierarchy.

31(a). Explain any three points of importance of management. [6 marks]

Solution:

Concept:

- Nature and Significance of Management: management coordinates human efforts and other resources to achieve organisational objectives effectively and efficiently.
- The importance of management includes achieving group goals, increasing efficiency and creating a dynamic organisation. Any three points may be explained.

Step 1: Achieving group goals **Management helps in achieving group goals:** An organisation brings together people with different needs, interests and ways of working. Management gives them a common direction by establishing organisational objectives and coordinating their individual efforts. It creates cooperation so that employees work as members of a group rather than pursue unrelated personal targets. For example, production and sales departments must coordinate their work so that goods are produced in the quantities and at the time customers require. Thus, management directs the combined effort of the organisation towards its overall goals.

Step 2: Increasing efficiency **Management increases efficiency:** Efficiency means achieving the desired output with the least possible use and wastage of resources. Through planning, organising, staffing, directing and controlling, managers make proper use of materials, money, machinery and human effort. They reduce avoidable costs, delays, duplication and idle time. For example, arranging workers and equipment properly can reduce production time and material wastage. Management therefore helps the organisation obtain greater output from available resources, or the same output at a lower cost, while meeting its objectives.

Step 3: Creating a dynamic organisation **Management creates a dynamic organisation:** An organisation operates in an environment in which technology, customer preferences, competition and government policies keep changing. Management helps it respond and adapt to these changes. Employees may resist change because it can disturb familiar routines or threaten their interests. Managers explain the need for change, guide and motivate employees, and help them recognise its benefits. For example, training and support can help employees adopt a new production technology. This adaptability enables the organisation to remain effective and competitive as its environment changes.

Step 4: Conclusion Management is important because it unites efforts towards group goals, improves the use of resources and enables the organisation and its employees to adapt to a changing environment.

Quick Tip to Solve: Use three distinct NCERT headings, then explain how each benefits the organisation; do not merely list the functions of management.

OR

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

(i) Division of work

(ii) Authority and Responsibility

(iii) Discipline [6 marks]

Solution:

Concept:

- Principles of Management: Henri Fayol's principles are general guidelines for managerial decisions and behaviour. They apply to managerial as well as technical work.
- The three principles asked here concern specialisation of tasks, balance between the right to command and accountability, and observance of organisational rules and agreements.

Step 1: Division of work **Division of work:** Work should be divided into small, specialised tasks and assigned to suitably trained persons. Repeated performance of a particular task allows a worker to develop skill, experience and expertise in it. This specialisation enables a person to produce more and better work with the same effort, increasing efficiency and productivity. It also avoids the time lost in frequently switching between different types of work. For example, separate specialists may handle production, finance and marketing rather than one person performing all these activities. Fayol considered this principle applicable to both technical and managerial activities.

Step 2: Authority and responsibility **Authority and Responsibility:** Authority is the right to give orders and obtain obedience, whereas responsibility is the obligation to perform the assigned task properly. The two must be balanced. A manager entrusted with responsibility must receive enough authority to fulfil it; otherwise the manager may be answerable for results without being able to take the required decisions. Conversely, excessive authority without matching responsibility may encourage misuse of power. For example, a manager responsible for meeting a production target needs appropriate authority to allocate work and use resources. The manager must also remain accountable for the exercise of that authority and the results achieved.

Step 3: Discipline **Discipline:** Discipline means obedience to organisational rules and to the employment agreement necessary for the working of the organisation. It requires good superiors at all levels, clear and fair agreements, and judicious application of penalties. Discipline is expected from both workers and management: employees should fulfil their commitments, and management should honour its agreements with them. For example, if workers agree to work additional hours in return for an agreed reward, both sides must keep their promises. Fair leadership and mutual observance of obligations promote orderly work and cooperation; discipline is therefore more than punishment alone.

Step 4: Conclusion Division of work develops specialisation, authority must be balanced with responsibility, and discipline requires observance of fair rules and agreements by both management and employees.

Quick Tip to Solve: Explain each named principle separately: specialisation, balance of power and duty, and mutual observance of rules and agreements.

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

(i) Planning facilitates decision making.

(ii) Planning reduces overlapping and wasteful activities.

(iii) Planning establishes standards for controlling. [6 marks]

Solution:

Concept:

- Planning, in NCERT Principles and Functions of Management, means deciding in advance what to do and how to do it. It links the present position with the desired future position.
- By specifying objectives and courses of action, planning supports rational decisions, coordinated work and effective control.

Step 1: (i) Planning facilitates decision making **Choosing among alternatives:** Planning requires managers to identify alternative courses of action for achieving the organisation's objectives. They examine each alternative in the light of its likely benefits, costs and consequences, and select the most suitable one. Thus, planning makes decision making a deliberate process based on the objectives to be achieved, instead of a choice made without considering the future.

Anticipating future conditions: Since planning looks ahead, managers consider the conditions under which the alternatives will operate and develop assumptions about the future. This enables them to predict the effects of different actions and choose an appropriate course. For example, when planning to expand sales, a manager may compare opening another outlet with selling through existing dealers before deciding which course best meets the objective.

Step 2: (ii) Planning reduces overlapping and wasteful activities **Coordinating efforts:** Plans provide a common basis for the activities of different departments and individuals. When everyone knows the objectives, responsibilities and sequence of work, their efforts can be directed towards the same result. This reduces confusion and misunderstanding, and avoids unnecessary duplication of tasks.

Using resources efficiently: Clear plans make it easier to identify activities that do not contribute to the objectives and eliminate or improve them. Overlapping work and wasteful use of time, money and materials are reduced. For instance, coordinated purchasing plans can prevent two departments from placing unnecessary duplicate orders for the same requirement.

Step 3: (iii) Planning establishes standards for controlling **Providing a basis of comparison:** Planning specifies the objectives and the expected results to be achieved. These planned results become the standards against which actual performance is measured during controlling. For example, a planned monthly sales target provides a definite basis for checking the sales actually achieved.

Enabling corrective action: By comparing actual results with planned standards, managers can identify deviations, analyse their causes and take corrective action. Without predetermined standards, they would have no clear basis for judging whether performance is satisfactory. Planning therefore provides the foundation for controlling and helps ensure that the organisation moves towards its objectives.

Step 4: Conclusion Planning facilitates rational selection among alternatives, coordinates activities to reduce duplication and waste, and provides standards for measuring performance and taking corrective action.

Quick Tip to Solve: Link each benefit to its mechanism: alternatives lead to decisions, coordinated work reduces waste, and planned targets become control standards.

OR

32(b). Explain 'Procedure', 'Method' and 'Programme' as types of plans. [6 marks]

Solution:

Concept:

- In NCERT Principles and Functions of Management, different types of plans guide different aspects of organisational activity. A procedure specifies the sequence of work, a method specifies how a task is performed, and a programme brings together the arrangements for a project.
- Procedures and methods normally guide recurring activities. A programme is a detailed plan for implementing a particular project and includes the resources and other plans needed for it.

Step 1: Procedure **Meaning:** A procedure is a routine sequence of steps that shows how an activity is to be carried out. It specifies the chronological order in which the steps must be performed. Procedures generally apply to recurring activities and guide employees in implementing policies.

Explanation and example: A procedure tells employees what is to be done first and what is to follow, thereby reducing confusion and ensuring consistency. For example, a recruitment procedure may require receiving applications, screening them, conducting tests and interviews, verifying references and then making the appointment. The emphasis is on the order of the activities; the procedure does not merely state a broad intention to recruit suitable employees.

Step 2: Method **Meaning:** A method specifies the prescribed way or manner in which a particular task is to be performed, taking its objective into account. It provides detailed instructions for doing that task and may form one step of a procedure.

Explanation and example: Choosing a suitable method helps achieve efficiency, uniformity and economy in performing work. For example, a business may prescribe on-the-job training as the method for training workers in the use of a machine. The method explains how the particular training task will be carried out. Unlike a procedure, which states the sequence of several activities, a method concentrates on the manner of performing one activity or task.

Step 3: Programme **Meaning:** A programme is a detailed statement about a project. It outlines the objectives, policies, procedures, rules, tasks, human and physical resources required, and the budget needed to implement the project. It therefore brings several related plans together for accomplishing a specific undertaking.

Explanation and example: A programme specifies what has to be achieved, the steps involved, who will perform them and the resources to be used. For example, a programme for opening a new branch would include the objective of the branch, selection of premises, purchase of equipment, appointment and training of staff, allocation of responsibilities and the expenditure budget. These interrelated arrangements allow the project to be implemented in an organised way.

Step 4: Conclusion A procedure prescribes the chronological sequence of activities; a method prescribes how a particular task is performed; and a programme combines the objectives, activities, responsibilities, resources and budget for implementing a project.

Quick Tip to Solve: Remember sequence for procedure, manner for method and a complete project plan for programme; give an example that demonstrates each difference.

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: Marketing mix is the set of marketing tools a firm uses to pursue its marketing objectives in a target market. Its four elements are Product, Price, Place and Promotion.
- These controllable elements are combined to prepare a market offering that satisfies customer needs and helps the firm achieve its objectives.

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

Product means the goods or services, or anything of value, offered to the market to satisfy customer needs. Product decisions cover quality, design, features, branding, packaging and associated services. DG Ltd.'s passenger capacity, comfortable seats, innovative doors and use of biofuel alongside electricity constitute features of its product offering. These features provide the benefits that customers seek from the flying car.

Step 2: Price **Price:** The relevant line is, "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 must pay to obtain the product. Pricing decisions include the basic price, discounts, allowances, payment periods and credit terms. DG Ltd. must set these terms so that customers regard the amount charged as appropriate to the benefits offered. The quoted price and the decisions about discounts and credit therefore describe the price element.

Step 3: Place or physical distribution **Place:** The case states, "DG Ltd. is in the process of selecting dealers or intermediaries to reach the customers, providing support to the intermediaries etc."

Place refers to activities that make the product available to target customers. It includes selecting and managing channels of distribution as well as physical distribution decisions such as transportation,

storage and inventory management. Selecting dealers and supporting intermediaries help DG Ltd. connect its offering with prospective buyers and make the flying car accessible to its target market.

Step 4: Promotion **Promotion:** The relevant line is, "DG Ltd. decided to go in for digital marketing campaigns, press releases and demos conducted by influencers and journalists."

Promotion comprises activities that communicate the availability, features and merits of the product to target customers and persuade them to buy it. The promotion mix includes advertising, personal selling, sales promotion and public relations. Here, digital campaigns create awareness, while press releases and demonstrations communicate the car's benefits and help generate interest and favourable publicity among potential customers.

Step 5: Conclusion The four elements used by DG Ltd. are Product, Price, Place and Promotion. Together, these constitute the marketing mix through which the company prepares its market offering.

Quick Tip to Solve: Match features to Product, payment terms to Price, dealers to Place, and communication activities 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:

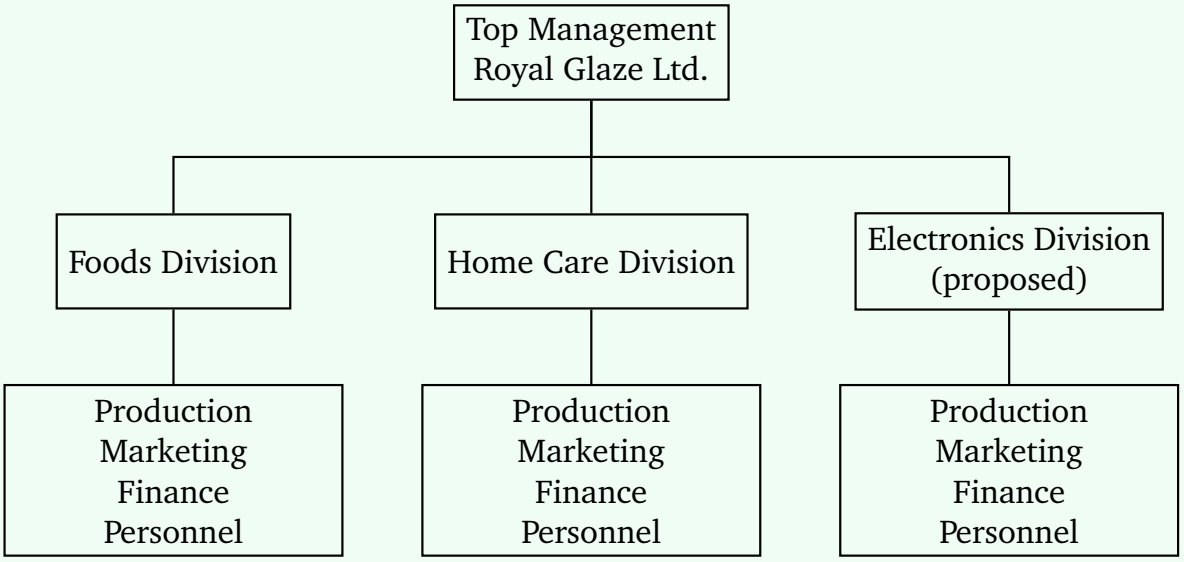
Concept:

- Organising: A divisional structure groups activities according to the major products manufactured by the enterprise. Each product division has its own resources and performs the functions required for that product.
- A multi-product company can retain overall direction at the top while giving divisional managers responsibility for the performance of their respective product lines.

Step 1: (i) Identify the organisational structure Royal Glaze Ltd. follows a **divisional organisational structure**. The decisive evidence is that it maintains "two distinct product divisions" called "Foods" and "Home Care". Thus, the basis of grouping is the product, rather than a common function such as production or marketing. Each division can concentrate on the requirements of its own product category while working towards the company's objectives.

Step 2: (ii) Add the proposed Electronics division The chart below places **Foods, Home Care and Electronics** at the same divisional level under top management. Electronics is the proposed additional

product division. Within each division, functional activities such as production, marketing, finance and personnel are carried out for that division's products. These functions are shown collectively beneath each product division to indicate its functional resources and responsibility.



Divisional structure of Royal Glaze Ltd. after the proposed expansion

Step 3: (iii) State three advantages of the divisional structure **1. Product specialisation and development of managers:** A divisional head gains experience in several functions connected with a particular product. This develops varied skills and prepares the manager for higher responsibilities. Each division can also focus on the specific requirements of its product category.

2. Accountability and performance measurement: Revenue and costs relating to different departments can be identified and assigned to a particular division. Its performance can therefore be assessed, and the divisional head can be held responsible for its profit or loss. This provides a clear basis for evaluating divisional results and taking corrective action.

3. Expansion and growth: New divisions can be added without interrupting the operations of existing divisions. Royal Glaze Ltd. can establish its Electronics division while Foods and Home Care continue their activities. This makes the structure suitable for its proposed diversification and future growth.

Step 4: Conclusion Royal Glaze Ltd. has a **divisional structure**; its expanded chart contains Foods, Home Care and the proposed Electronics division. This structure promotes product specialisation, divisional accountability, and expansion.

Quick Tip to Solve: Identify the basis of grouping first: separate product lines indicate a divisional structure; put every product division at the same level in the chart.