CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/2/1

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. 'It is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.' Identify the process. [1 mark]

(A) Management

(B) Organising

(C) Staffing

(D) Directing

Correct Answer: (A) Management

Solution:

Concept:

- Nature and Significance of Management: management is the process of getting work done effectively and efficiently to achieve organisational goals.
- Planning, organising, staffing, directing and controlling are functions within the wider process of management.

Step 1: Identify the whole process The definition refers to designing and maintaining an environment in which people work together towards selected aims. This describes management as a whole: it coordinates individual efforts so that the group achieves its objectives efficiently.

Step 2: Check the other options Organising establishes roles and authority relationships. Staffing obtains and develops the workforce, while directing guides and motivates employees. Each is a particular management function, so none alone covers the complete process stated in the definition.

Step 3: Conclusion The process is management. Hence, the correct option is (A).

Quick Tip to Solve: When a definition covers the environment, group effort and overall aims, identify management; narrower activities name its functions.

2. Kavi works as a Marketing Manager in stationery mart. It deals in various types of stationery items for many schools across the country. When new session starts in schools, Kavi forecasts the sales of different stationery products for each school for every month. All items are represented in numbers so that it becomes easier for him to compare the actual sales with expected sales.

The type of plan discussed above is : [1 mark]

(A) Strategy

(B) Policy

(C) Programme

(D) Budget

Correct Answer: (D) Budget

Solution:

Concept:

- Planning: a budget is a statement of expected results expressed in numerical terms.
- A sales budget states expected sales and can be used as a standard for comparing actual perfor-

mance.

Step 1: Identify the clue in the case Kavi prepares a budget because 'All items are represented in numbers' and he compares 'actual sales with expected sales'. His monthly forecasts for each school quantify the sales expected from stationery products.

Step 2: Eliminate the remaining plans A strategy gives a comprehensive direction for achieving objectives; a policy provides general guidance for decisions; a programme specifies activities and other details for a project. The decisive feature here is a numerical statement of expected sales, rather than any of these broader plans.

Step 3: Conclusion The plan is a budget. Hence, the correct option is (D).

Quick Tip to Solve: Look for expected results expressed in numbers: even a budget stated in quantities rather than money remains a budget.

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3. Given below are two statements, Assertion (A) and Reason (R) :

Assertion (A) : Directing facilitates introduction of needed changes in the organization.

Reason (R) : Directing increases resistance to changes in the organization.

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

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

(B) Assertion (A) is true, but Reason (R) is false.

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

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

Correct Answer: (B) Assertion (A) is true, but Reason (R) is false.

Solution:

Concept:

- Directing: effective guidance, motivation, leadership and communication help employees accept necessary organisational changes.
- Resistance can be reduced by explaining a change and addressing employees' doubts and concerns.

Step 1: Judge Assertion (A) Assertion (A) is true. Directing facilitates the introduction of needed changes by explaining their purpose, guiding employees and encouraging cooperation in implementing them.

Step 2: Judge Reason (R) Reason (R) is false. Effective directing helps overcome or reduce resistance to change; it does not increase that resistance as the statement claims.

Step 3: Check the explanation and alternatives A false reason cannot correctly explain a true assertion. Options (A) and (D) incorrectly treat the reason as true, and option (C) incorrectly treats the assertion as false. Only the alternative stating a true assertion and a false reason fits.

Step 4: Conclusion The assertion is true, but the reason is false. Hence, the correct option is (B).

Quick Tip to Solve: Check the word "increases" carefully: directing facilitates change by reducing employees' resistance to it.

4. CVX Ltd. was a leading company, manufacturing home appliances like food processors, juicers and mixer grinders. The company was earning good profits and was paying high dividends to its shareholders consistently. The company now decided to manufacture soup-making machines, pop-up toasters and electric irons. The company wanted to enter into emerging markets out of India also. Entering these markets will require additional capital investment which will facilitate in production and distribution infrastructure etc. For this, the management decided to retain money out of their earnings to finance the required investment and distribute smaller dividend to the shareholders.

The factor affecting dividend decision which was kept in mind by the management of CVX Ltd. for entering into emerging markets and launching new products was : [1 mark]

(A) Amount of Earnings

(B) Stability of Earnings

(C) Stability of Dividends

(D) Growth Opportunities

Correct Answer: (D) Growth Opportunities

Solution:

Concept:

- Financial Management: dividend decisions divide earnings between dividends paid to shareholders and profits retained in the business.
- Growth opportunities increase the need for retained earnings to finance future investment.

Step 1: Identify the factor from the investment plan The factor is growth opportunities. CVX Ltd. wants to enter 'emerging markets out of India' and manufacture additional appliances. These expansion plans require capital for production and distribution, so retaining earnings provides funds for growth.

Step 2: Distinguish the other factors The amount and stability of earnings concern how much profit is available and how predictable it is. Stability of dividends concerns maintaining a consistent dividend. Although the company has good profits and a history of high dividends, its reason for reducing the dividend now is the investment needed for expansion.

Step 3: Conclusion The factor is growth opportunities. Hence, the correct option is (D).

Quick Tip to Solve: When a dividend is reduced to fund new products or market expansion, connect retained earnings with growth opportunities.

5. Read the following statements carefully :

Statement – I : Staffing is that part of the process of management which is concerned with obtaining, utilizing and maintaining a satisfied and satisfactory workforce.

Statement – II : Staffing is a continuous process.

In the light of the given statements, choose the correct alternative from the following : [1 mark]

(A) Both the Statements are true.

(B) Both the Statements are false.

(C) Statement I is true, but Statement II is false.

(D) Statement II is true, but Statement I is false.

Correct Answer: (A) Both the Statements are true.

Solution:

Concept:

- Staffing: the management function concerned with obtaining, utilising and maintaining a satisfied and satisfactory workforce.
- Staffing continues throughout the life of an organisation as its human resource needs change.

Step 1: Evaluate Statement I Statement I is true. Staffing includes finding suitable people, placing and developing them, and maintaining a workforce that is both capable of meeting organisational needs and satisfied with its employment.

Step 2: Evaluate Statement II and choose the combination Statement II is also true. Recruitment, selection, training, appraisal and related activities recur as employees leave, retire, move or require development. Thus staffing is continuous. Option (B) rejects both true statements; option (C) wrongly rejects Statement II; option (D) wrongly rejects Statement I.

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

Quick Tip to Solve: Do not limit staffing to initial hiring: continuing training, transfers and replacement needs make it an ongoing function.

6. Choose the statement that correctly highlights the benefit of using internal sources of recruitment. [1 mark]

(A) It helps in simplifying the process of selection.

(B) It provides wider choice while selecting the employees.

(C) It brings new blood in the organization.

(D) It is an expensive and time consuming source.

Correct Answer: (A) It helps in simplifying the process of selection.

Solution:

Concept:

- Staffing: internal recruitment fills vacancies from the existing workforce, chiefly through transfers and promotions.

- The organisation already knows existing employees' abilities and performance, which simplifies their selection.

Step 1: Identify the benefit Internal recruitment simplifies selection because the organisation has records and direct knowledge of its employees' skills, experience and performance. It can assess their suitability for another position without beginning the entire search for unknown applicants.

Step 2: Test every other option A wider choice and new blood are benefits of external recruitment, so options (B) and (C) do not describe internal recruitment. Internal sources generally save time and cost; calling them expensive and time consuming in option (D) reverses this benefit.

Step 3: Conclusion It helps in simplifying the process of selection. Hence, the correct option is (A).

Quick Tip to Solve: Known employees mean known performance: this is the direct link between internal recruitment and simpler selection.

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7. Atul was working as an employee in a readymade garments factory. He was very sincere and dedicated and always completed his work in time. It pained him to see that his colleagues were reluctant to do the work even though they had the ability to do it.

Due to his good behaviour and willingness to work, he was promoted to the post of the supervisor of the same team in which he was a worker earlier. He understood very well that it was not always possible to get the best of work from employees merely by exercising formal authority. He had insights into the causes of behaviour of people. He knew how to get the work done by the workers in a desired manner to achieve the organizational objectives. Under his supervision even the workers who were reluctant to work started working efficiently and effectively.

From the following, identify the concept used by Atul, as a supervisor to get the work completed :

[1 mark]

(A) Leadership

(B) Financial Incentives

(C) Motivation

(D) Non-financial Incentives

Correct Answer: (C) Motivation

Solution:

Concept:

- Directing: motivation is the process of stimulating people to take action to accomplish desired goals.
- Motivation addresses willingness to work; ability alone does not ensure effective performance.

Step 1: Identify motivation from the case Atul uses motivation. The workers had 'the ability to do' the work but were reluctant, and Atul had 'insights into the causes of behaviour of people'. He stimulated their willingness so that they began working efficiently and effectively towards organisational objectives.

Step 2: Distinguish the other options Leadership stresses influencing people and inspiring them

to follow a leader. Here the more specific clue is understanding behaviour to turn reluctance into willingness, which identifies motivation. Financial and non-financial incentives are means of motivating employees, but the case specifies no particular incentive of either kind.

Step 3: Conclusion The concept used by Atul is motivation. Hence, the correct option is (C).

Quick Tip to Solve: When ability exists but willingness is missing, look for motivation; select an incentive only if the case names a specific reward.

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8. 'Isha Sweets' was set by Isha Sharma to prepare and sell organic, vegan and healthy sweets alternatives like hazelnuts date ladoos, dry fruit date burfi, stuffed mejdool date etc. For the last many years, the demand for her products was very high as people these days prefer to buy healthier alternatives for consumption as well as gifting purposes. But this year suddenly, the cost of dates, dry fruits and other ingredients used for preparing these healthy sweets had increased. With rising prices of raw materials, larger amounts of funds were required to maintain a constant volume of production and sales. As a result, the working capital requirement of 'Isha Sweets' became higher.

The factor which led to an increase in the working capital requirements of 'Isha Sweets' was : [1 mark]

(A) Availability of raw material

(B) Inflation

(C) Scale of business

(D) Production cycle

Correct Answer: (B) Inflation

Solution:

Concept:

- Financial Management: factors affecting working capital requirements, particularly inflation.
- Working capital finances current assets. Higher input prices require more money to maintain the same physical volume of operations.

Step 1: Identify the price-related clue The case states that 'the cost of dates, dry fruits and other ingredients ... had increased'. It further specifies a 'constant volume of production and sales'. Thus, the business needs additional funds because the same quantity of inputs now costs more. This is the effect of inflation on working capital requirements.

Step 2: Eliminate the other factors Availability of raw material concerns ease of supply and the inventory needed to avoid shortages; no shortage is stated. Scale of business concerns the size of operations, but output and sales volume remain constant. Production cycle concerns the time between acquiring inputs and producing finished goods; the case describes no increase in that time.

Step 3: Conclusion Inflation increased the working capital requirement of Isha Sweets. Hence, the correct option is (B).

Quick Tip to Solve: When physical output stays constant but raw-material prices rise, identify inflation rather than a change in business scale.

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9. 'The process of organizing allows a business enterprise to accommodate changes in the business environment. It allows the organization structure to be suitably modified to pave the way for a smooth transition.'

The point of importance of organizing function of management highlighted in the above lines is :

[1 mark]

(A) Benefits of specialization

(B) Clarity in working relationships

(C) Optimum utilization of resources

(D) Adaptation to change

Correct Answer: (D) Adaptation to change

Solution:

Concept:

- Organising: importance of the organising function, especially adaptation to change.
- A flexible organisation structure helps an enterprise adjust roles and relationships when its business environment changes.

Step 1: Match the wording to the importance The phrases 'accommodate changes in the business environment' and 'organization structure to be suitably modified' show that organising makes adjustments possible. The resulting smooth transition is the benefit called adaptation to change.

Step 2: Distinguish the remaining benefits Benefits of specialisation arise from repeatedly performing assigned tasks. Clarity in working relationships means identifying who reports to whom. Optimum utilisation of resources means avoiding waste and duplication. These are important benefits of organising, but none directly describes modifying the structure to respond to environmental changes.

Step 3: Conclusion The highlighted importance is adaptation to change. Hence, the correct option is (D).

Quick Tip to Solve: Use the action in the statement: modifying the structure to accommodate environmental changes directly signals adaptation to change.

10. A buyer buys a product or service for what it does for him / her or the benefit it provides to him / her. There can be three type of benefits, a consumer may seek to satisfy from the purchase of a product : (i) Functional benefits, (ii) Social benefits and (iii) ..... [1 mark]

(A) Technological benefits

(B) Economic benefits

(C) Psychological benefits

(D) Environmental benefits

Correct Answer: (C) Psychological benefits

Solution:

Concept:

- Marketing Management: the concept of a product as a bundle of benefits sought by a buyer.
- NCERT classifies these benefits as functional, social and psychological benefits.

Step 1: Complete the textbook classification Functional benefits concern the use or performance of the product; social benefits concern its significance in social relationships or status. Psychological benefits include the personal satisfaction and feelings associated with buying or using it. Thus, psychological benefits complete the stated classification.

Step 2: Check the alternatives Technological benefits concern features arising from technology, economic benefits concern monetary advantage, and environmental benefits concern effects on the environment. These may influence particular purchases, but none is the third category in the functional, social and psychological classification asked here.

Step 3: Conclusion The missing category is psychological benefits. Hence, the correct option is (C).

Quick Tip to Solve: Recall the complete product-benefit trio together: functional use, social significance and psychological satisfaction.

11. Nimesh was working as a Production Manager in H.L. Ltd., an electrical wire manufacturing company. One of the vendors who was supplying copper to H.L. Ltd. wanted to close down his business within 15 days as he had to go abroad to live with his son. The vendor was selling all his stocks at 60% discount. Nimesh wrote a letter to the General Manager to seek approval for procurement of this material. But due to rigid rules and cumbersome procedures there was delay in getting sanction and order could not be placed.

The type of communication barrier that led to procedural delay was : [1 mark]

(A) Semantic barrier

(B) Psychological barrier

(C) Organizational barrier

(D) Personal barrier

Correct Answer: (C) Organizational barrier

Solution:

Concept:

- Directing: organisational barriers to effective communication.
- Rigid organisational rules and cumbersome procedures can delay messages, decisions and the sanction needed for action.

Step 1: Locate the cause of the delay The decisive words are 'rigid rules and cumbersome procedures'. Nimesh communicated the proposal to the General Manager, but the formal approval process delayed sanction. The obstacle therefore arises from the organisation's procedures and is an organisational barrier.

Step 2: Reject the other barrier types A semantic barrier involves words, symbols or interpretation; the case reports no misunderstanding of the letter. A psychological barrier involves states such as distrust, inattention or premature evaluation; none is described. A personal barrier concerns the attitudes or fears of the sender or receiver; no such attitude is stated. The stated cause is procedural rigidity.

Step 3: Conclusion The procedural delay arose from an organisational barrier. Hence, the correct option is (C).

Quick Tip to Solve: Classify the stated cause: rigid rules and approval procedures indicate organisational barriers, even when communication takes the form of a letter.

12. 'The right of an individual to command his subordinates and to take action within the scope of his position' is called : [1 mark]

(A) Decentralization

(B) Authority

(C) Responsibility

(D) Accountability

Correct Answer: (B) Authority

Solution:

Concept:

- Organising: elements of delegation, namely authority, responsibility and accountability.
- Authority is the right attached to a position to command subordinates and take action within that position's scope.

Step 1: Recognise the right to command The question defines a positional right: 'to command his subordinates and to take action within the scope of his position'. This is authority. It enables a manager to direct others and use powers necessary for the assigned work, subject to the limits of the position.

Step 2: Separate the related terms Responsibility is the obligation to perform assigned duties. Accountability is answerability for the final outcome of those duties. Decentralisation is the systematic dispersal of authority throughout the organisation. Neither an obligation, answerability nor the distribution of authority is the individual right defined in the question.

Step 3: Conclusion The defined term is authority. Hence, the correct option is (B).

Quick Tip to Solve: Link right to command with authority, duty to perform with responsibility, and answerability for results with accountability.

13. As per the Consumer Protection Act, 2019 which of the following statement is correct ? [1 mark]

(A) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the National Commission.

(B) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the Supreme Court.

(C) In case the aggrieved party is not satisfied with the order of the State Commission, he can directly appeal before the Supreme Court.

(D) In case the aggrieved party is not satisfied with the order of the National Commission, he can appeal before the Supreme Court.

Correct Answer: (D) In case the aggrieved party is not satisfied with the order of the National Commission, he can appeal before the Supreme Court.

Solution:

Concept:

- Consumer Protection: the consumer redressal machinery under the Consumer Protection Act, 2019, as presented in NCERT.
- The appellate sequence proceeds from District Commission to State Commission, then National Commission and the Supreme Court.

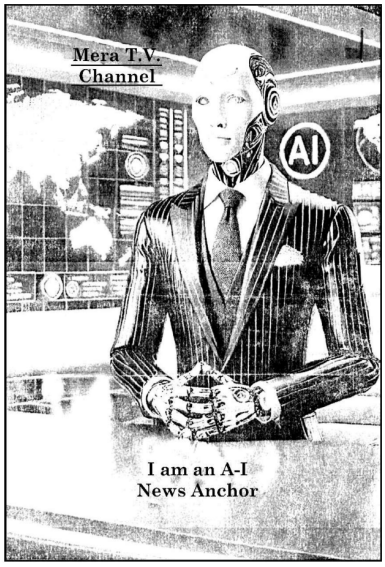
Step 1: Apply the appellate hierarchy In the textbook hierarchy, a party dissatisfied with the order of the National Commission may appeal before the Supreme Court. This is the relationship stated in option (D). Appeals follow the prescribed levels rather than skipping the immediately higher forum.

Step 2: Test each incorrect route Option (A) takes a District Commission matter directly to the National Commission, skipping the State Commission. Option (B) takes it directly from the District Commission to the Supreme Court, skipping the intermediate commissions. Option (C) similarly skips the National Commission by taking a State Commission matter directly to the Supreme Court. These do not follow the appellate sequence asked here.

Step 3: Conclusion The correct statement is that an aggrieved party dissatisfied with the National Commission's order can appeal before the Supreme Court. Hence, the correct option is (D).

Quick Tip to Solve: Write the appellate ladder in order: District, State, National, Supreme Court; reject options that skip the next level.

14. Identify the dimension of business environment illustrated by the given picture : [1 mark]



(A) Social

(B) Political

(C) Technological

(D) Economic

Correct Answer: (C) Technological

Solution:

Concept:

- Business Environment: technological dimension of the business environment.
- The technological environment includes scientific improvements and innovations that create new methods of producing goods and providing services.

Step 1: Read the evidence in the picture The picture identifies an 'A-I News Anchor' on a television channel. Artificial intelligence is being used to perform the work of presenting news. The central change shown is an innovation in the technology used to provide a broadcasting service.

Step 2: Distinguish the other dimensions The social dimension concerns values, customs, lifestyles and social trends; the picture does not centre on these. The political dimension concerns political conditions and government attitudes; none is highlighted. The economic dimension concerns factors such as income, interest rates and inflation; none is the depicted change. Artificial intelligence directly identifies the technological dimension.

Step 3: Conclusion The picture illustrates the technological dimension of the business environment. Hence, the correct option is (C).

Quick Tip to Solve: Identify what changes in the picture: an AI system doing a service task is evidence of technological innovation.

15. Given below are two statements, Assertion (A) and Reason (R) :

Assertion (A) : Planning involves looking ahead and preparing for the future.

Reason (R) : The purpose of planning is to meet future events effectively to the best advantage of an organization.

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

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

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

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

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

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

Solution:

Concept:

- Planning: the forward-looking nature of planning and its purpose.
- Planning involves anticipating future conditions and deciding in advance what to do and how to do it.

Step 1: Judge Assertion (A) Assertion (A) is true. Planning is futuristic: managers look ahead, anticipate possible opportunities and difficulties, and prepare a course of action before events occur.

Step 2: Judge Reason (R) Reason (R) is true. The purpose of planning is to meet future events effectively to the best advantage of the organisation. Plans prepare the organisation to respond purposefully to expected conditions.

Step 3: Check the explanatory link The reason explains why planning involves looking ahead and preparing for the future: advance preparation helps the organisation deal effectively with future events. Thus (B) is incorrect because an explanatory link exists; (C) and (D) are incorrect because neither statement is false.

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

Quick Tip to Solve: Test the link after judging both statements: meeting future events effectively explains why plans look ahead.

16. Match the techniques of scientific management given in Column – I with their meaning given in Column – II :

Column – I	Column – II
(a) Method Study	(i) It refers to the study of movements like lifting, putting objects, sitting and changing positions etc. which are undertaken while doing a typical job.
(b) Motion Study	(ii) It determines the amount and frequency of rest intervals in completing a task.
(c) Time Study	(iii) It determines the standard time taken to perform a well defined job.
(d) Fatigue Study	(iv) It determines one best way of doing a job.

Choose the correct option from the options given below : [1 mark]

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

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

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

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

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

Solution:

Concept:

- Principles of Management: techniques of scientific management developed by F. W. Taylor.
- Method study finds the best method; motion study examines movements; time study fixes standard time; fatigue study fixes rest intervals.

Step 1: Match each technique with its purpose **Method study:** (a)–(iv), determining one best way of doing a job. **Motion study:** (b)–(i), studying movements such as lifting, putting objects and changing positions to eliminate unnecessary movements.

Step 2: Complete and check the code **Time study:** (c)–(iii), determining the standard time for a well-defined job. **Fatigue study:** (d)–(ii), determining the amount and frequency of rest intervals. In the order (a), (b), (c), (d), the code is (iv), (i), (iii), (ii). Option (A) wrongly assigns rest intervals to method study; (B) assigns movements to method study; (D) assigns standard time to method study. Each therefore fails the matching.

Step 3: Conclusion The code is (iv), (i), (iii), (ii), in the order method, motion, time and fatigue study. Hence, the correct option is (C).

Quick Tip to Solve: Associate method with best way, motion with movements, time with duration, and fatigue with rest breaks.

17. Akshara runs a business in the name of 'AK Solutions' in a well reputed area of her city where people provide spaces to students as library, as study centres and as training and event centres to businesses. Akshara provides only conference halls to big and small enterprises for their meetings and events.

Suddenly, in July 2024, floods affected some libraries and study centres in her neighbouring area. The exams were fast approaching and students were facing a lot of problems as these study centres and libraries had to be closed.

Taking advantage of this opportunity and to help the students 'AK Solutions' adapted itself to the needs of the environment, they decided to convert some of their conference halls into libraries and study centres. They also decided to provide food and other facilities required by the students at subsidized rates. This initiative increased their business manifold and earned them significant goodwill.

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

(A) Management is a continuous process.

(B) Management is an intangible force.

(C) Management is a dynamic function.

(D) Management is a group activity.

Correct Answer: (C) Management is a dynamic function.

Solution:

Concept:

- Nature and Significance of Management: management is a dynamic function.
- Management adapts the organisation to changes in the business environment so that it can continue achieving its objectives.

Step 1: Identify the case evidence The decisive words are "adapted itself to the needs of the environment. After floods closed nearby libraries and study centres, AK Solutions converted some conference halls into libraries and study centres. This is adaptation to changed circumstances and student needs.

Step 2: Distinguish the other characteristics A continuous process, option (A), means that management functions are performed on an ongoing basis. An intangible force, option (B), means management is felt through results rather than seen directly. Group activity, option (D), stresses coordinating people towards common goals. The case specifically highlights changing the service in response to the environment, rather than these other characteristics.

Step 3: Conclusion The feature is that management is a dynamic function. Hence, the correct option is (C).

Quick Tip to Solve: Underline the case phrase about adapting to the environment; adaptation is the clue to a dynamic function.

18. 'Increase in the profit earned by the equity shareholders due to the presence of fixed financial charges like interest' is called : [1 mark]

(A) Financial planning

(B) Dividend decision

(C) Financing decision

(D) Trading on equity

Correct Answer: (D) Trading on equity

Solution:

Concept:

- Financial Management: trading on equity, arising from the use of funds carrying fixed financial charges.
- When the return earned on borrowed funds exceeds their interest cost, the surplus can increase the earnings available to equity shareholders.

Step 1: Identify the financial effect The expression "increase in the profit earned by the equity shareholders due to fixed charges such as interest describes trading on equity. Debt carries a fixed interest obligation; favourable use of these funds can leave additional earnings for equity shareholders.

Step 2: Eliminate the other concepts Financial planning, option (A), estimates fund requirements and determines sources and timing. Dividend decision, option (B), concerns how much profit to distribute or retain. Financing decision, option (C), concerns the mix of debt and equity used to raise funds. These are broader decisions or processes; the particular increase in shareholders' earnings described in the question is the effect called trading on equity.

Step 3: Conclusion The term is trading on equity. Hence, the correct option is (D).

Quick Tip to Solve: Look for both clues together: fixed financial charges and increased equity shareholders' earnings indicate trading on equity.

19. Read the following statements carefully :

Statement – I : The cost of debt is more than the cost of equity.

Statement – II : Lenders risk is lower than the equity shareholders risk.

In the light of the given statements, choose the correct alternative from the following : [1 mark]

(A) Both the Statements are true.

(B) Both the Statements are false.

(C) Statement I is true, Statement II is false.

(D) Statement I is false, Statement II is true.

Correct Answer: (D) Statement I is false, Statement II is true.

Solution:

Concept:

- Financial Management: the relative cost and risk of debt and equity finance.

- Lenders receive contractual interest and have priority over equity shareholders, who bear residual risk; interest also provides a tax advantage to the company.

Step 1: Evaluate Statement I Statement I is false. Debt normally costs less than equity. Lenders require a lower return because they bear lower risk; in addition, interest is deductible in calculating taxable profits, which reduces the effective cost of debt to the company. Equity holders demand a higher return for bearing greater risk.

Step 2: Evaluate Statement II and the options Statement II is true. Lenders have a contractual claim to interest and priority over equity shareholders in repayment. Equity shareholders receive residual earnings and bear greater uncertainty. Thus (A) fails because Statement I is false; (B) fails because Statement II is true; and (C) reverses both truth values. Only (D) gives the required combination.

Step 3: Conclusion Statement I is false and Statement II is true. Hence, the correct option is (D).

Quick Tip to Solve: Compare risk first: lenders have prior claims, so debt generally has a lower required return than equity.

20. 'To ensure that enough funds are available at right time to honour the commitments and to carry out the plans' is discussed in which of the following concepts ? [1 mark]

(A) Capital Structure

(B) Financial Leverage

(C) Financial Planning

(D) Investment Decision

Correct Answer: (C) Financial Planning

Solution:

Concept:

- Financial Management: financial planning and the timely availability of funds.
- Financial planning estimates future financial requirements and identifies sources so that funds are available when needed and unnecessary surplus funds are avoided.

Step 1: Identify the objective in the quotation The words "enough funds are available at right time point to financial planning. It ensures that funds needed for commitments and business plans are arranged in advance, reducing the risk that operations or planned activities stop for want of finance.

Step 2: Eliminate the other options Capital structure, option (A), is the proportion of debt and equity in long-term finance. Financial leverage, option (B), concerns the use of debt carrying fixed financial charges. Investment decision, option (D), concerns allocating funds among assets or investment proposals. The quotation focuses on the adequacy and timing of funds for all commitments, which is an objective of financial planning.

Step 3: Conclusion The concept is financial planning. Hence, the correct option is (C).

Quick Tip to Solve: When a statement stresses enough funds at the right time, identify the objective of financial planning.

21(a). Explain the following functions of Stock Exchange :

(i) Providing liquidity and marketability to existing securities

(ii) Pricing of securities

(iii) Safety of transaction [3 marks]

Solution:

Concept:

- Financial Markets: A stock exchange is an organised market that facilitates the purchase and sale of existing securities under prescribed rules.
- Its functions include providing liquidity and marketability, discovering security prices, and promoting the safety of transactions through regulation.

Step 1: Explain liquidity and marketability **(i) Providing liquidity and marketability to existing securities:** A stock exchange provides a continuous, ready market in which investors can buy and sell securities already issued by companies. An investor who needs cash can sell the securities through the exchange instead of waiting for their redemption. It therefore gives investors the opportunity to disinvest and reinvest and makes long-term securities more readily convertible into money. The company does not receive fresh capital from this resale; ownership of existing securities changes.

Step 2: Explain price discovery **(ii) Pricing of securities:** The forces of demand and supply operating on the stock exchange help determine the prices of securities. Buyers' and sellers' assessments of a company's earnings prospects and other relevant information are reflected in these prices. The quoted prices provide a basis on which investors can value their investments and decide whether to buy, sell or retain them. Thus, the exchange helps establish prices for existing securities.

Step 3: Explain transaction safety **(iii) Safety of transaction:** Membership and dealings on a stock exchange are regulated, and transactions must take place within its prescribed rules and the existing legal framework. This regulatory framework and scrutiny help ensure fair dealings and protect investors against unfair practices. Safety here concerns the regulated conduct of transactions; it does not guarantee that security prices will never fall or that every investment will earn a profit.

Step 4: Conclusion The stock exchange makes existing securities marketable, helps determine their prices through demand and supply, and provides a regulated framework for fair and safer transactions.

Quick Tip to Solve: Link the three headings to three investor questions: Can I sell it, what is its price, and are the dealings regulated?

OR

21(b). Differentiate between 'Primary Market' and 'Secondary Market' on the basis of any three points. [3 marks]

Solution:

Concept:

- Financial Markets: The primary market deals with the issue of new securities, while the secondary market deals with the purchase and sale of securities already issued.
- Distinguish the two markets by using the same basis for both, especially the securities traded, the parties involved and the recipient of the proceeds.

Step 1: Identify the two stages of a security's life A company enters the primary market when it raises funds by issuing securities to investors. Once those securities have been issued, investors may trade them in the secondary market. The important distinction is between a new issue that raises capital for the issuer and a subsequent transfer of ownership between investors. The following table gives three corresponding differences.

Step 2: Present three points of distinction

Basis	Primary Market	Secondary Market
Nature of securities	Deals with new securities being issued for the first time in that issue; it is also called the new issues market.	Deals with existing securities that have already been issued; it is also called the market for existing securities.
Parties involved	Securities are sold by the issuing company to investors, directly or through intermediaries.	Securities are bought and sold between investors; the issuing company is generally not a party to the trade.
Recipient and purpose of funds	Sale proceeds go to the issuing company and provide funds for its activities, such as new projects, expansion or modernisation.	Sale proceeds go to the selling investor. The transaction provides liquidity and transfers ownership without directly providing fresh funds to the issuing company.

Step 3: Conclusion The primary market raises funds for an issuer through new securities, whereas the secondary market enables investors to trade existing securities and obtain liquidity.

Quick Tip to Solve: Follow the sale proceeds: money reaching the issuer indicates a primary issue; money reaching a selling investor indicates secondary trading.

22. Radhika started a business of supplying high class facial kits to beauty parlours in various cities of the country. Initially, the business was doing well and her products were popular. Despite the high quality of the products, Radhika faced difficulties in certain parlours, especially in Kagpur city, where her products failed to gain a strong market presence.

To understand the cause, she appointed a qualified marketing manager. The marketing manager discovered that there was no proper exchange of facts, ideas and views etc. between the incharge of Kagpur city and the employees at different parlours at Kagpur. Vicky, who was the incharge and responsible for overseeing all parlours in Kagpur, was unable to effectively foster a common understanding of the product among the employees. As a result, the employees did not grasp the key benefits and features of the high class facial kits. In turn, the employees were not able to convince potential clients about the product's value.

(i) Identify the concept discussed in the above case.

(ii) The concept identified in (i) above can be defined as a process having various elements. State first five elements of this process. [3 marks]

Solution:

Concept:

- Directing: Communication is the process of exchange of ideas, views, facts and feelings between or among people to create common understanding.
- The communication process includes sender, message, encoding, media, decoding, receiver, feedback and noise. The question asks for its first five elements.

Step 1: Identify the concept using the case **(i) Communication:** The concept is communication. The case states that there was "no proper exchange of facts, ideas and views etc." between the incharge and employees. It also says Vicky could not "foster a common understanding of the product". Both expressions point to communication: exchanging information must produce a common understanding. The employees' inability to explain the kits' benefits to clients illustrates the consequence of this failure.

Step 2: State the first five elements in sequence **(ii) The first five elements of the communication process are:**

1. **Sender:** The person who conveys thoughts or ideas to the receiver and initiates communication.
2. **Message:** The content of the ideas, facts, feelings or suggestions intended to be communicated.
3. **Encoding:** The process of converting the message into communication symbols, such as words, pictures or gestures.
4. **Media:** The path or channel through which the encoded message is transmitted to the receiver; for example, a personal conversation, telephone call or written communication.
5. **Decoding:** The process of converting the encoded symbols received into a meaning that the receiver understands.

Step 3: Conclusion The concept is communication. Its first five elements are sender, message, encoding, media and decoding, in that sequence.

Quick Tip to Solve: For the first five elements, trace an idea from its originator to its interpretation: sender, message, encoding, media, decoding.

23(a). Give the meaning of 'Capital Market'. Differentiate between 'Capital Market' and 'Money Market' on the basis of :

(i) Participants

(ii) Instruments [3 marks]

Solution:

Concept:

- Financial Markets: The capital market mobilises medium-term and long-term funds through debt and equity, whereas the money market deals in short-term funds with a maturity of up to one year.
- Participants are the institutions and investors operating in a market; instruments are the securities through which funds are raised or invested.

Step 1: Meaning of capital market **Capital market:** It is the market for medium-term and long-term funds, comprising both debt and equity. It channels savings into investments needed by business enterprises for purposes such as expansion and the purchase of fixed assets. It consists of the primary market, where new securities are issued, and the secondary market, where existing securities are traded.

Step 2: Distinction on the two specified bases

Basis	Capital market	Money market
Participants	Development banks, commercial banks and corporate entities, as well as financial institutions, foreign investors and ordinary retail investors.	Mainly institutional participants, such as the Reserve Bank of India, commercial banks, financial institutions and finance companies.
Instruments	Equity shares, preference shares, debentures and bonds.	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills.

Step 3: Conclusion The capital market supplies medium-term and long-term debt and equity funds. Its participation includes ordinary retail investors, and its instruments include shares and debentures; the money market is mainly institutional and uses short-term instruments such as treasury bills and commercial paper.

Quick Tip to Solve: Under participants, name who invests; under instruments, name what is traded. Do not replace either requested basis with duration or risk.

OR

23(b). State any three 'Regulatory functions' of Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- Financial Markets: The Securities and Exchange Board of India (SEBI) regulates the securities market. Its regulatory functions establish rules, supervise market institutions and intermediaries, and check compliance.
- Regulatory functions are distinct from protective functions, such as prohibiting insider trading, and developmental functions, such as training intermediaries.

Step 1: Regulation of intermediaries and trading practices **1. Registration and regulation of intermediaries:** SEBI registers and regulates stockbrokers, sub-brokers, merchant bankers, investment advisers and other intermediaries associated with the securities market. Registration brings their activities within its regulatory supervision and makes them subject to the applicable rules.

2. Regulation of stock exchanges and other securities markets: SEBI frames rules and regulations and a code of conduct for the working of stock exchanges and other securities markets. These rules govern the conduct of market operations and promote orderly trading.

Step 2: Monitoring observance of the rules **3. Inspection, inquiries and audits:** SEBI undertakes inspection, conducts inquiries and carries out audits of stock exchanges and intermediaries. Through this supervision, it examines their working and checks whether they comply with the rules governing the securities market. Thus, regulation includes checking actual conduct as well as prescribing standards.

Step 3: Conclusion Three regulatory functions of SEBI are registering and regulating intermediaries, framing rules and a code of conduct for stock exchanges and securities markets, and undertaking inspections, inquiries and audits of exchanges and intermediaries.

Quick Tip to Solve: For regulatory functions, recall registration, rules and inspection; keep training and investor education out of this three-point answer.

24. Aman, a young graduate was living away from home in another city. He had problems in cooking and heating food. He decided to purchase a microwave oven for the same. He went to the market, visited many shops and compared various microwave oven brands available in the market. He compared features, price, after-sale-service and customer reviews etc. to make an informed choice as per his needs.

After selecting the oven, he checked that it should have an ISI mark. This gave him confidence about the safety, standards and quality of the oven.

After reaching home he followed the manufacturer's instructions for safe installation and use of microwave oven. This helped him in avoiding any risk associated with the usage of microwave oven.

By doing all this Aman kept in mind various responsibilities while purchasing and using the microwave oven. Still he left some of the responsibilities that were not fulfilled by him.

State any three such responsibilities. [3 marks]

Solution:

Concept:

- Consumer Protection: Consumer responsibilities include informed buying, insistence on standardised goods, safe use, obtaining proof of purchase, honest dealings and respect for the environment.
- Aman has already compared brands, checked the ISI mark and followed safety instructions. The answer must therefore state other consumer responsibilities rather than repeat those described in the case.

Step 1: Identify responsibilities already described The words 'compared features, price, after-sale-service and customer reviews' show informed choice. The words 'checked that it should have an ISI mark' show insistence on standardised goods. His following the 'manufacturer's instructions for safe installation and use' shows awareness of safe usage. These are already fulfilled in the case and are excluded from the three additional responsibilities below.

Step 2: State three additional responsibilities **1. Ask for a cash memo:** Aman should obtain a cash memo or bill for the microwave oven. It is proof of purchase and is needed to support a complaint if a dispute arises.

2. Be honest in dealings: He should choose legal goods and services and discourage unscrupulous practices such as black marketing and hoarding. A consumer must avoid participating in dishonest market practices.

3. Respect the environment: He should avoid waste, littering and actions that contribute to pollution. For example, he should dispose of the oven's packaging responsibly instead of littering it.

Step 3: Conclusion Three other responsibilities Aman should fulfil are obtaining a cash memo, being honest in his dealings and respecting the environment. These are separate from informed choice, quality certification and safe use already mentioned in the case.

Quick Tip to Solve: First strike out the duties explicitly fulfilled in the case; then state three remaining NCERT responsibilities, starting with obtaining a bill.

25(a). Explain the following principles of management given by Fayol :

(i) Division of work

(ii) Authority and Responsibility [4 marks]

Solution:

Concept:

- Fayol's principles of management provide general guidelines for managing people and work. Division of work promotes specialisation, while authority must be balanced with responsibility.
- Authority is the right to give orders and obtain obedience; responsibility is the obligation to perform an assigned duty satisfactorily.

Step 1: (i) Division of work **Specialisation:** Work should be divided into small, specialised tasks and assigned to trained and competent individuals. Instead of making each employee perform every activity, a person repeatedly performs the task suited to that person's skills. This applies to technical as well as managerial work.

Improved efficiency: Repetition helps employees acquire expertise and perform their tasks with greater speed, accuracy and efficiency. Specialisation therefore leads to more and better work with the same effort. For example, dividing production into cutting, stitching and finishing lets workers develop expertise in their respective operations.

Step 2: (ii) Authority and responsibility **Meaning and relationship:** Authority empowers a manager to direct others and require compliance, while responsibility makes the manager answerable for the assigned work. The two go hand in hand: a manager who is given a duty must also receive enough authority to carry it out.

Balance: There should be parity between authority and responsibility. Excessive authority may be misused, whereas responsibility without adequate authority makes effective performance difficult. For example, a production manager made responsible for meeting an output target needs suitable authority to allocate duties and arrange resources. Such a balance supports fulfilment of obligations and prevents abuse of power.

Step 3: Conclusion Division of work raises efficiency through specialisation. Authority and responsibility must be balanced so that managers have sufficient power to discharge their duties and remain answerable for their actions.

Quick Tip to Solve: For division of work, link specialisation to efficiency; for authority and responsibility, define both and explain why they must remain balanced.

OR

25(b). Explain the following points of significance of principles of management :

(i) Providing managers with useful insights into reality.

(ii) Optimum utilization of resources and effective administration. [4 marks]

Solution:

Concept:

- Principles of management are general guidelines derived from experience, observation and experimentation. Their significance lies in helping managers understand situations, use resources well and administer organisations effectively.
- These principles guide judgement rather than supply rigid solutions; managers apply them according to the circumstances of their organisation.

Step 1: (i) Providing managers with useful insights into reality **Knowledge from experience:** Management principles present managers with useful knowledge of real situations gained from past experience and experimentation. They explain relationships between managerial actions and their likely effects, helping managers understand why a problem arises and how it may be addressed.

Better managerial judgement: By using these insights, managers can learn from earlier experience, improve their understanding of managerial situations and avoid repeating mistakes. The principles guide decisions and actions without requiring managers to discover every relationship through their own trial and error. For example, unity of command helps a manager understand why conflicting instructions from two superiors may confuse an employee.

Step 2: (ii) Optimum utilisation of resources and effective administration **Optimum utilisation of resources:** Human and material resources are limited. Management principles help managers put them to the best possible use, obtaining maximum benefit with minimum cost and avoiding wastage. For instance, division of work uses employees' specialised abilities and raises efficiency.

Effective administration: Principles make management more objective and less dependent on personal bias. Managerial discretion is subject to the principles and the organisation's requirements. Decisions based on these guidelines help establish better relationships, coordination and discipline, so that administration becomes more effective. For example, a balance of authority and responsibility helps managers assign duties with the powers needed to carry them out.

Step 3: Conclusion Management principles give managers insights drawn from real experience, guide the best use of scarce resources and support objective, effective administration.

Quick Tip to Solve: Explain the first point through experience and better judgement; separate resource efficiency from objective administration when explaining the second point.

26(a). Explain the following features of co-ordination :

(i) Co-ordination integrates group efforts.

(ii) Co-ordination is the responsibility of all managers. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: Co-ordination is the process by which a manager synchronises the activities of different departments to bring unity of action in achieving organisational goals.
- Co-ordination links individual and departmental efforts and is required at every level of management.

Step 1: (i) Co-ordination integrates group efforts **Brings diverse efforts together:** In an organisation, employees and departments perform different activities and may have different interests. Co-ordination unifies these otherwise unrelated or diverse interests into purposeful work activity. It gives a common focus to group effort so that individual contributions support organisational objectives.

Ensures unity of action: Co-ordination reconciles differences in approach, timing and priorities among departments. For example, production must make the quantity that the sales department can sell, while purchasing must provide the materials needed for that production. Synchronising these activities prevents conflicting efforts and helps the organisation work as a whole.

Step 2: (ii) Co-ordination is the responsibility of all managers **At every managerial level:** Every manager has to co-ordinate the work for which they are responsible. Top-level managers co-ordinate with their subordinates to ensure that the overall policies of the organisation are implemented. Middle-level managers co-ordinate with both top-level and first-line managers, translating overall plans into departmental activities.

Within operating activities: First-line managers co-ordinate the activities of workers to ensure that work proceeds according to plans. Thus, co-ordination is a shared responsibility running throughout the managerial hierarchy; it cannot be left to a single manager or a separate department.

Step 3: Conclusion Co-ordination integrates diverse group efforts into unified action and must be performed by managers at all levels to achieve organisational goals.

Quick Tip to Solve: For the first feature, link diverse departmental efforts to a common goal; for the second, explain the roles of top, middle and first-line managers.

OR

26(b). Explain the following features of management :

(i) Management is a goal-oriented process.

(ii) Management is a continuous process. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: Management is the process of getting things done with the aim of achieving organisational goals effectively and efficiently.
- Management is goal-oriented because it directs effort towards common objectives, and continuous because its interrelated functions are performed on an ongoing basis.

Step 1: (i) Management is a goal-oriented process **Works towards definite objectives:** Every organisation exists to achieve certain basic goals. These goals should be simple and clearly stated. Management directs the efforts of different individuals towards achieving these common goals, giving a common purpose to their activities.

Unites efforts for goal achievement: The goals may differ between organisations: a business may seek to satisfy customers and earn profit, while a hospital aims to provide healthcare. In either case, managers bring together human and material resources and guide their use towards the organisation's objectives. For example, a manager co-ordinates purchasing, production and sales to achieve a stated sales target rather than allowing each department to work without a common direction.

Step 2: (ii) Management is a continuous process **An ongoing series of functions:** Management consists of a series of continuous, composite but separate functions: planning, organising, staffing, directing and controlling. These functions do not end after a single task or target is completed. Managers perform them continuously while the organisation operates.

Interrelated and simultaneous activities: A manager may plan future activities while organising resources for current work, directing employees and checking actual performance. Control reveals deviations and provides information for further planning and corrective action. Consequently, these functions recur and overlap; management is an ongoing process rather than a one-time activity.

Step 3: Conclusion Management directs collective effort towards clearly stated organisational goals and continuously performs its interrelated functions to achieve them.

Quick Tip to Solve: Use common organisational goals to explain goal orientation, and name planning, organising, staffing, directing and controlling to explain continuity.

27. Nisha had given some old dresses of her own to her house-helper Beenu. After a few days, Nisha was happily surprised when she saw Beenu wearing one of the dresses beautifully refurbished. On enquiry, Beenu told Nisha that this was done by her daughter who had just completed her Class 12th studies. Beenu also told Nisha that she was a little concerned as her daughter did not want to study further. Nisha was very much impressed by the creativity of Beenu's daughter, so she decided to setup a small business for her. Nisha bought 15 sewing machines and appointed 15 girls to refurbish the old dresses. Nisha also arranged old dresses from various sources and employed a person who will sell these dresses at a very low cost for the one's who could not purchase news dresses due to their low income.

Nisha divided the girls in three equal groups, each having five sewing machines. Each group was given a target of refurbishing 150 old dresses in a fortnight with a cost of Rs. 30 per dress.

After a fortnight, Nisha who was supervising this business with Beenu was informed that Group I was able to meet the target by refurbishing 150 old dresses at a cost of Rs. 30 per dress. Group II was able to refurbish 150 old dresses at a cost of Rs. 35 per dress, whereas Group III could refurbish only 140 old dresses but at a cost of Rs. 27 per dress.

(i) Identify the concepts of management discussed above for each of the three groups giving reason in support of your answer.

(ii) Give meaning of the concepts identified in (i) above and state which one is important for the management and why ? [4 marks]

Solution:

Concept:

- Nature and Significance of Management: effectiveness means achieving the intended objectives and completing the assigned task within the specified time.
- Efficiency means doing the task correctly with minimum cost and wastage of resources. Successful management requires a balance between effectiveness and efficiency.

Step 1: (i) Assess each group's performance

- **Group I: Both effective and efficient.** It achieved the target of refurbishing 150 dresses in a fortnight and kept the cost at the prescribed Rs. 30 per dress. Thus, it met both the output and cost standards. The case states that it was "able to meet the target" at "Rs. 30 per dress".
- **Group II: Effective but inefficient.** It refurbished 150 dresses within the fortnight, so the intended output was achieved. However, its cost of "Rs. 35 per dress" exceeded the prescribed Rs. 30. Achieving the output by spending more than the cost standard does not show efficiency.
- **Group III: Efficient but ineffective.** Its cost of "Rs. 27 per dress" was below the prescribed Rs. 30, showing economy in using resources. However, it refurbished "only 140 old dresses", falling short of the target of 150 within the fortnight. Therefore, it did not achieve the objective.

Step 2: (ii) Explain the concepts and their importance

- **Effectiveness:** It is concerned with doing the right task, completing activities and achieving the desired goals on time. In this case, the test is whether 150 dresses were refurbished in a fortnight.
- **Efficiency:** It is concerned with doing the task correctly at minimum cost through optimum use of resources. Here, performance is assessed against the cost standard of Rs. 30 per dress.
- **Importance of both:** Both are important for management. Achieving an objective at an unnec-

essarily high cost reduces the benefit from it, whereas saving resources without achieving the objective leaves the task incomplete. Management must achieve its goals effectively while using resources efficiently; Group I demonstrates this balance.

Step 3: Conclusion Group I is both effective and efficient; Group II is effective but inefficient; Group III is efficient but ineffective. Both effectiveness and efficiency are essential for successful management.

Quick Tip to Solve: Check output and time first for effectiveness, then compare cost per dress with Rs. 30 for efficiency; meeting only one standard does not establish both.

28. Prachi is working as an academic counsellor for specially abled students at one of the top school to provide special support and guidance to these students. She clearly states in advance the methods of teaching and tackling the students. She ensures that the goals are clearly stated for each and every teacher so that they act as a guide for deciding what action should be taken and in which direction.

Her well laid plans will serve as a basis for coordinating the activities and efforts of teachers teaching different subjects to these students. It helps the teachers in bringing clarity of thought and action to their work.

Identify and explain the two points of importance of 'Planning' function of management highlighted in the above para. [4 marks]

Solution:

Concept:

- Planning: importance of planning in providing direction through clearly stated objectives and courses of action.
- Planning also reduces overlapping and wasteful activities by coordinating the efforts of different individuals and departments and bringing clarity of thought and action.

Step 1: Planning provides direction **Identification:** The first point is that planning provides direction.

Evidence from the case: Prachi ensures that "the goals are clearly stated for each and every teacher" so that they guide decisions about "what action should be taken and in which direction".

Explanation: Planning states in advance what is to be done and how it is to be done. Clear objectives guide the actions of individuals and departments towards the organisation's goals. Employees know what the organisation expects from them and can work together to achieve those objectives. In this case, the teachers receive clear goals and teaching methods for providing special support to the students, which guide their classroom actions. Without such direction, different teachers could work without a shared understanding of the desired results.

Step 2: Planning reduces overlapping and wasteful activities **Identification:** The second point is that planning reduces overlapping and wasteful activities.

Evidence from the case: Her plans "serve as a basis for coordinating the activities and efforts of teachers teaching different subjects" and bring "clarity of thought and action to their work".

Explanation: Planning coordinates the work of different individuals and departments. When responsibilities and courses of action are clear, unnecessary repetition, confusion and misunderstanding can be avoided. Activities are arranged so that they contribute to the common goal rather than duplicate

or obstruct one another. For Prachi's teachers, coordinated plans align their work across subjects and make their efforts more purposeful. Thus, planning supports the efficient use of teaching time and effort through clarity and coordination.

Step 3: Conclusion The two points are: planning provides direction, and planning reduces overlapping and wasteful activities. Clearly stated goals illustrate the first; coordination and clarity in the teachers' work illustrate the second.

Quick Tip to Solve: Link "goals clearly stated" with direction and "coordinating activities" or "clarity of thought and action" with reduced overlapping and wasteful activities.

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29. Going to gym and following a protein diet has become a popular trend these days. However, with the busy work culture, many people, especially the youth struggle to find time for weight loss programmes.

Anika was working in a multi-national company, wanted to join a gym for weight loss but could not find time. There is no good gym near her house. One day, Anika was walking out of the office during lunch time and saw an attractive poster of a gym which was near her house. Anika was curious to enquire about their weight loss programme. Next day, when she went to the gym, she was surprised to know about various schemes offered by the gym. They were not only offering 50% discount on the fee of weight loss programme, but were also providing free coach facility and free protein diet for the customer. But these offers were valid only for 10 days. Attracted by these schemes Anika immediately submitted the fee and joined the gym.

(i) Identify and give the meaning of the element of marketing-mix discussed above.

(ii) The element of marketing-mix identified in (i) above includes various tools of communication. Identify and explain the tools highlighted in the above para. [4 marks]

Solution:

Concept:

- Marketing Management: promotion is the element of the marketing mix concerned with informing and persuading customers about a firm's products or services.
- The promotion mix includes advertising and sales promotion. Advertising creates awareness through paid impersonal communication, while sales promotion offers short-term incentives to encourage purchase.

Step 1: (i) Identify and explain promotion **Promotion:** The element of the marketing mix is promotion. It refers to the use of communication to inform potential customers about a product or service and persuade them to buy it. Here, the gym communicates its services and attractive offers to Anika, creating interest and motivating her to enrol in its weight loss programme.

Step 2: (ii) Identify advertising from the poster **Advertising:** Anika "saw an attractive poster of a gym which was near her house." Advertising is a paid form of impersonal presentation and promotion of ideas, goods or services by an identified sponsor. The gym's poster is a non-personal message addressed to potential customers; it attracts Anika's attention and makes her curious to enquire about the programme. It therefore illustrates advertising, rather than a face-to-face sales presentation.

Step 3: (ii) Identify sales promotion from the limited-period offers **Sales promotion:** The gym offers "50% discount on the fee", "free coach facility and free protein diet", with offers "valid only for 10 days." Sales promotion consists of short-term incentives designed to encourage buyers to make an immediate purchase. The fee discount reduces the customer's cost and the free facilities add benefits to the purchase. Their limited availability creates urgency, which explains why Anika immediately pays the fee and joins. These incentives are sales promotion; they are distinct from the poster that first makes her aware of the gym.

Step 4: Conclusion (i) The marketing-mix element is **promotion**. (ii) Its tools illustrated here are **advertising**, through the gym's poster, and **sales promotion**, through the limited-period discount and free facilities.

Quick Tip to Solve: In a promotion case, separate the message that creates awareness (the poster) from the short-term incentives that trigger purchase (discount and freebies).

30. The demand for take away food business is increasing day-by-day. People working in multi-national companies have to work till night very often and they are reluctant to cook food. Taking advantage of this opportunity, Amit and Bijoy started 'Langar', a take away food business. The food became famous because of its good quality and standards of hygiene followed by them.

Over the years, the business became very profitable. They decided to expand the business by opening more branches in different cities. To ensure consistent food quality at all branches and to maintain the hygiene and quality they planned to import machines with advanced technology. The cost of each machine was Rs. 12 crores. They knew that this decision has to be taken very carefully, as it involves a huge cost and that the decision, once taken is irreversible.

(i) Identify and state the financial decision discussed in the above para.

(ii) Explain any two factors affecting the decision identified in (i) above. [4 marks]

Solution:

Concept:

- Financial Management: an investment decision determines how a firm's funds are invested in different assets. A long-term investment decision concerning fixed assets is a capital budgeting decision.
- Capital budgeting requires assessment of the project's cash flows and expected return because funds are committed for a long period and reversing the decision can be costly.

Step 1: (i) Identify and state the financial decision **Investment decision — capital budgeting:** The case discusses a long-term investment decision, also called a capital budgeting decision. It determines the funds to be invested in long-term assets or projects that will generate benefits over several years. Amit and Bijoy plan "to import machines with advanced technology", each costing "Rs. 12 crores". These machines are fixed assets used in the expanded business. The substantial commitment of funds and the statement that the decision is "irreversible" further establish its capital budgeting nature. The question concerns where funds are invested, rather than the source from which those funds are raised.

Step 2: (ii) Explain cash flows of the project **Cash flows of the project:** An investment generates

a series of cash receipts and payments over its life. The amount and timing of these cash flows must be carefully assessed before committing funds. For Langar, the initial expenditure on imported machines and the expected cash inflows and operating outflows from using them should be estimated. This helps judge whether the machines are likely to generate sufficient cash benefits to justify the investment; accounting profit alone does not reveal the timing of cash available to the business.

Step 3: (ii) Explain the rate of return **Rate of return:** The expected rate of return from a project is an important criterion for choosing an investment. Its expected return must be assessed together with its risk and compared with the return required on the funds committed. Other things being equal, a project giving a higher return is preferred. Amit and Bijoy should therefore estimate the return expected from the proposed machines and expansion, and compare it with the required return and feasible alternatives before accepting the proposal. The large purchase cost by itself does not establish that the investment is worthwhile.

Step 4: Conclusion (i) This is a **long-term investment or capital budgeting decision**. (ii) Two factors affecting it are the **cash flows of the project** and its expected **rate of return**.

Quick Tip to Solve: Buying costly machines for future business benefits signals capital budgeting; explain its factors using future cash flows and expected return.

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

(i) Preliminary Screening

(ii) Selection Tests

(iii) Employment Interview

(iv) Reference and Background Checks [6 marks]

Solution:

Concept:

- Staffing: Selection is the process of choosing, from the applicants, the person best suited to a particular job. It involves comparing the requirements of the job with the qualifications, abilities and suitability of candidates.
- Screening, tests, interviews and reference checks provide different kinds of information. Together they help the organisation judge suitability and reduce the risk of appointing an unsuitable employee.

Step 1: (i) Preliminary screening **Preliminary screening:** The manager or selection officer scrutinises the applications to eliminate applicants who do not satisfy the basic requirements of the job. The candidate's qualifications, experience and other particulars are compared with the prescribed requirements. A preliminary interview may also be used to remove unsuitable or unqualified candidates from further consideration. This narrows the field to candidates who merit detailed assessment and saves the time and expense of testing and interviewing applicants who are clearly unsuitable.

Step 2: (ii) Selection tests **Selection tests:** These are instruments used to measure particular characteristics of candidates, ranging from intelligence and aptitude to personality and existing skills. The organisation chooses tests relevant to the job so that it obtains objective information about

suitability. For example, an intelligence test measures learning and decision-making abilities; an aptitude test measures the potential to learn new skills; a trade test measures existing job skills; a personality test reveals traits such as maturity and emotional balance; and an interest test identifies preferred activities. Test results help assess whether a candidate has the ability and disposition required for the work.

Step 3: (iii) Employment interview **Employment interview:** This is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job. The interviewer seeks information and clarification about the candidate's background, knowledge, experience and abilities. The discussion also allows the organisation to explain the job and its expectations, and gives the candidate an opportunity to ask questions about the organisation. It therefore supports a two-way exchange of information and helps both sides judge whether the appointment would be suitable.

Step 4: (iv) Reference and background checks **Reference and background checks:** The employer contacts the references provided by the applicant, such as previous employers, teachers or other responsible persons who know the candidate. The purpose is to verify information supplied in the application and obtain additional information about the applicant's experience, competence, character and past performance. Such checks help confirm the reliability of the candidate's claims before the organisation proceeds with the appointment decision.

Step 5: Conclusion Preliminary screening removes clearly unsuitable applicants; selection tests assess relevant characteristics; the employment interview provides an in-depth, two-way assessment; and reference and background checks verify information and past conduct. These are the four specified steps of selection.

Quick Tip to Solve: Remember the purpose of each step: screen basic eligibility, test characteristics, interview for suitability, and check references for verification.

OR

31(b). Explain the following non-financial incentives :

(i) Status

(ii) Organisational climate

(iii) Job Enrichment

(iv) Employee participation [6 marks]

Solution:

Concept:

- Directing: Motivation encourages people to act towards desired organisational goals. Non-financial incentives satisfy psychological, social and higher-order needs such as esteem, recognition, responsibility and self-development.
- These incentives need not involve a direct monetary payment to employees. Their motivating effect comes from the value employees attach to their position, work environment, job content and involvement in decisions.

Step 1: (i) Status **Status:** In an organisation, status means the ranking of positions. The authority, responsibility, rewards, recognition and prestige associated with a position indicate the status given to the person holding it. A higher position or a position carrying greater recognition can satisfy an employee's psychological, social and esteem needs. Employees are therefore motivated by the respect and importance attached to their role and may work harder to attain or maintain such standing. Status motivates through recognition and prestige, rather than merely through a monetary reward.

Step 2: (ii) Organisational climate **Organisational climate:** This refers to the characteristics that describe an organisation and distinguish it from others. Such characteristics influence how employees behave in the organisation. They include individual autonomy, the reward orientation of the organisation, consideration shown to employees, willingness to take risks and related features of its work environment. A positive climate, in which employees experience support, appropriate freedom and consideration, encourages them to perform better. The organisation can influence these characteristics to improve motivation and employees' willingness to contribute.

Step 3: (iii) Job enrichment **Job enrichment:** This involves designing jobs to include a greater variety of work content and a higher level of knowledge and skill, while giving employees greater autonomy and responsibility. It also provides opportunities for personal growth, meaningful work experience and recognition. By making work more challenging and worthwhile, enrichment allows employees to use their abilities and experience achievement. For example, responsibility for planning and checking one's own work can make a job more meaningful than simply carrying out a repetitive task under close supervision.

Step 4: (iv) Employee participation **Employee participation:** This means involving employees in decisions about matters related to their work. Employees may be encouraged to express opinions, suggest improvements and take part in discussions through suitable committees or other arrangements. Their involvement makes them feel that their knowledge and views are valued and gives them a sense of belonging and responsibility. Participation also develops commitment to decisions because employees have helped shape them. This encourages cooperation and motivates them to contribute towards organisational objectives.

Step 5: Conclusion Status satisfies esteem needs; organisational climate creates a motivating work environment; job enrichment makes work challenging and meaningful; and employee participation builds involvement and commitment. Each is a non-financial incentive that can improve employees' willingness to perform.

Quick Tip to Solve: Link each incentive to its source of motivation: status to prestige, climate to the work environment, enrichment to job content, and participation to decision-making.

32. Asha was running a business of producing and selling pickles, murabbas and papad etc. She was earning a good profit for the last many years. Now, she wanted to add some new products in her product line. Seeing the growing demand of millets, she decided to add some millet products. After doing a lot of market research, she found out that the demand for millet noodles, pasta and ready to eat millet cereals was increasing day-by-day. To give a different taste and to have uniqueness in her products, she prepared a new tasty herb based sauce for cooking these products and decided to launch this along with millet products in the market.

For this Asha hired 10 additional women workers specially trained for the same. However, despite adding more workers, to her surprise, production was not upto the mark.

Concerned about this and to ensure that the activities were performed as per the plans, and that the resources were being used effectively and efficiently for the achievement of predetermined goals, Asha appointed a supervisor Nabita. Nabita monitored the activities and discovered that two of the newly hired workers were spending their whole day gossiping and distracting the other workers. As a result the production was low.

(i) Identify and state the function of management discussed above.

(ii) State any five points of importance of the function identified in (i) above. [6 marks]

Solution:

Concept:

- Controlling: the management function that compares actual performance with predetermined standards and initiates corrective action to achieve organisational goals.
- Importance of controlling: accomplishing organisational goals, judging accuracy of standards, using resources efficiently, improving employee motivation, and ensuring order and discipline.

Step 1: (i) Identify and state the function The function is **controlling**. It means ensuring that activities conform to plans by measuring actual performance, comparing it with predetermined standards, identifying deviations and taking corrective action where necessary. The case states that Asha wanted activities to be performed "as per the plans" and resources to be used "effectively and efficiently for the achievement of predetermined goals". Nabita's monitoring revealed the cause of low production: two workers were gossiping and distracting others. This provides the basis for corrective action to bring production in line with the plan.

Step 2: (ii) State five points of importance

1. **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings to light deviations, if any. It indicates corrective action so that activities remain on the right track and the enterprise achieves its objectives.
2. **Judging accuracy of standards:** A sound control system helps management verify whether the standards set are accurate and objective. By comparing performance with standards and reviewing changes in the organisation and its environment, managers can revise unsuitable standards.
3. **Making efficient use of resources:** Control requires each activity to follow predetermined norms and standards. This reduces wastage and spoilage and ensures effective and efficient use of human and material resources. In the case, identifying unproductive use of working time helps address the low output.

4. **Improving employee motivation:** A good control system tells employees well in advance what they are expected to do and the standards against which their performance will be assessed. Clear expectations and fair assessment motivate employees to perform better.
5. **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline by keeping a close check on employee activities. It helps minimise undesirable behaviour. Here, monitoring exposes the gossiping and distraction that interfere with work.

Step 3: Conclusion (i) The management function is **controlling**. (ii) Its importance includes achieving goals, reviewing standards, using resources efficiently, motivating employees, and ensuring order and discipline.

Quick Tip to Solve: Link "as per the plans" and checking actual output with controlling; then state five distinct NCERT points of importance under clear headings.

33(a). State any three advantages and any three limitations of formal organization. [6 marks]

Solution:

Concept:

- Organising: formal organisation is the structure of authority and responsibility deliberately designed by management to accomplish organisational objectives.
- It specifies job responsibilities, reporting relationships, rules and procedures. Its clarity supports coordination and accountability, while excessive rigidity can delay action and restrict initiative.

Step 1: Three advantages of formal organisation

1. **Easy fixation of responsibility:** Formal organisation clearly specifies the duties and responsibilities of each position. Since employees know the work assigned to them, management can identify who is accountable for its performance and fix responsibility when work is not completed properly.
2. **No ambiguity in roles:** Each member has a definite role and knows to whom to report. By establishing a clear chain of command, formal organisation removes confusion about authority and reporting relationships, reducing conflicting instructions and overlap in work.
3. **Unity of direction and effective coordination:** The activities of individuals and departments are brought together through clearly defined relationships. Their efforts are coordinated towards common organisational objectives, helping the enterprise achieve its goals efficiently.

Step 2: Three limitations of formal organisation

1. **Procedural delays:** Communication must generally follow the prescribed chain of command. Passing messages and obtaining approvals through successive levels can be time-consuming, causing delays in decisions and action even when a situation needs a quick response.
2. **Inadequate recognition of creative talent:** Formal organisation places emphasis on established rules and procedures. Rigidly laid-down policies may restrict individual freedom, discourage initiative and prevent employees from experimenting with creative solutions beyond the prescribed manner of doing work.
3. **Limited understanding of human relationships:** Formal organisation mainly stresses structure

and work-related relationships. It does not provide a complete picture of how the organisation actually functions because it gives inadequate recognition to employees' social needs and the informal relationships and interactions that arise among them.

Step 3: Conclusion Formal organisation offers clear responsibility, unambiguous roles and coordinated direction. Its limitations include procedural delays, restrictions on creative talent and incomplete recognition of human relationships.

Quick Tip to Solve: Present exactly three advantages and three limitations under separate headings; explain how each feature affects work rather than merely naming it.

OR

33(b). State any six advantages of functional structure of organization. [6 marks]

Solution:

Concept:

- Organising: a functional structure groups activities of a similar nature into separate departments such as production, marketing, finance and personnel.
- Its advantages arise from specialisation within each function, coordination of similar work and economies obtained by avoiding duplication of resources.

Step 1: State the first three advantages

- **Occupational specialisation:** Employees perform similar tasks within their department and develop expertise through repeated practice. This promotes specialisation of the workforce, enabling employees to perform their assigned work more effectively.
- **Better control and coordination:** Similar tasks are grouped together under one functional head. The head can supervise the work more closely, coordinate related activities and establish accountability within the department more effectively.
- **Greater managerial and operational efficiency:** Functional managers concentrate on the activities in which they have expertise. Specialisation and focused supervision improve the quality of managerial decisions and the execution of departmental operations, resulting in increased profits.

Step 2: State the remaining three advantages

- **Minimum duplication of effort:** Each function is performed by its specialised department for the organisation as a whole. Resources and facilities need not be duplicated across different groups, which results in economies of scale and lower costs.
- **Easier employee training:** Employees have to learn a limited range of skills relevant to their particular function. Training becomes more focused and can develop the specific abilities required for effective performance in that department.
- **Due attention to different functions:** The formation of separate departments ensures that each function receives proper attention. Responsibility is assigned to a departmental head, so important activities such as production, finance and marketing can each be managed systematically.

Step 3: Conclusion The six advantages are occupational specialisation, better control and coordination,

greater managerial and operational efficiency, minimum duplication of effort, easier training, and due attention to different functions.

Quick Tip to Solve: Recall the six benefits through expertise, coordination, efficiency, economy, training and attention; explain each as a separate advantage.

34. Ravi and Megha started 'Energylights' a company manufacturing energy-efficient LED lighting after realizing an increasing demand for the same. Manufacturing high-quality LED lights with some unique features required substantial investment in technology and high-grade materials. This pushed up their cost of manufacturing. To determine the price of their LED lights they not only wanted to cover all costs but also wanted to earn a margin of profit over and above the costs. This will set for them the minimum level or the floor price at which the LED lights would be sold. The high demand and the utility provided by these lights will set the upper limit of the price.

Though there was enough competition in LED lights business, even then they kept the price of their lights higher than the competitors because of good quality and its features. They justified the higher price because of the product differentiation and unique methods of advertising and sales promotion etc.

Quoting lines from the above para, identify and explain any three factors which were taken into consideration by Ravi and Megha to determine the price of their LED lights. [6 marks]

Solution:

Concept:

- Marketing Management: pricing is the determination of the amount a buyer must pay for a product. Product cost, utility and demand, and the extent of competition are important factors affecting price determination.
- Cost generally fixes the minimum sustainable price, whereas the product's utility and demand influence the upper limit. Competitors' prices and offers help a firm decide its price within these limits.

Step 1: Product cost **Identification and quotation:** The first factor is **product cost**. The case states that they "not only wanted to cover all costs but also wanted to earn a margin of profit over and above the costs."

Explanation: The cost of producing, distributing and selling a product is an important consideration in pricing. A business must normally cover its total cost and earn a reasonable profit in the long run. Costs include fixed, variable and semi-variable costs. Cost therefore establishes the minimum level or floor price. Energylights' investment in technology and high-grade materials raised manufacturing costs, so Ravi and Megha had to consider these costs when setting a sustainable selling price.

Step 2: Utility and demand **Identification and quotation:** The second factor is **the utility and demand**. The case states, "The high demand and the utility provided by these lights will set the upper limit of the price."

Explanation: A buyer is willing to pay for the satisfaction or utility expected from a product. The price should reflect the value buyers perceive in it. Demand also matters: when demand is relatively less elastic, buyers may accept a higher price, whereas highly elastic demand limits the firm's ability

to raise prices. Thus utility and demand determine the upper limit of price. Here, rising demand for energy-efficient lights and the useful features offered by them support the price customers may be willing to pay.

Step 3: Extent of competition in the market **Identification and quotation:** The third factor is **the extent of competition in the market**. The case states, "Though there was enough competition in LED lights business, even then they kept the price of their lights higher than the competitors because of good quality and its features."

Explanation: A firm studies the number and strength of competitors, their prices, and the quality and features of competing products before fixing its own price. Intense competition generally restricts freedom to charge a high price. However, a product offering superior quality or distinctive features may command a premium over rivals. Ravi and Megha considered competitors' offerings but charged more because their lights provided better quality and features.

Step 4: Conclusion Any three factors illustrated are product cost, utility and demand, and extent of competition in the market. These respectively explain the floor price, the upper price limit and the premium charged in relation to competing LED lights.

Quick Tip to Solve: For each pricing factor, first name the NCERT term, quote the matching case line, and then explain how it affects the selling price.