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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. '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 estimates funding needs and identifies their sources.
- Financial planning ensures the availability of sufficient funds at the right time and avoids unnecessary funds.

Step 1: Identify the objective The words "enough funds are available at right time identify financial planning. It estimates the funds required and specifies their sources so that commitments can be honoured and plans implemented without a shortage of finance.

Step 2: Eliminate the alternatives Capital structure concerns the proportion of debt and equity. Financial leverage concerns the use of fixed-charge funds. An investment decision concerns the assets in which funds are invested. None of these defines the timely availability of adequate funds stated here.

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

Quick Tip to Solve: Link adequacy and timing of funds with financial planning.

2. 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: equity shareholders bear residual risk, while debt holders have prior contractual claims.
- Capital structure: debt generally costs less than equity because lenders bear lower risk and interest is a tax-deductible expense.

Step 1: Evaluate Statement I Statement I is false. The cost of debt is normally lower than the cost of equity. Lenders accept a lower return because they face lower risk; the tax deductibility of interest further reduces the effective cost of debt to the company.

Step 2: Evaluate Statement II and the options Statement II is true. Lenders have a contractual claim to interest and repayment and priority over equity shareholders, who receive a residual return. Thus (A) wrongly accepts Statement I, (B) wrongly rejects Statement II, and (C) reverses their truth values.

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

Quick Tip to Solve: Check creditors' priority and fixed return before comparing financing costs.

3. '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: the use of debt brings a fixed interest obligation to a company.
- Trading on equity is the increase in equity shareholders' earnings due to the use of funds carrying fixed financial charges.

Step 1: Recognise the effect of fixed charges The question expressly links increased profit for equity shareholders to fixed financial charges such as interest. When the return earned using borrowed funds exceeds their cost, the surplus accrues to equity shareholders; NCERT calls this trading on equity.

Step 2: Distinguish the other concepts Financial planning estimates funding requirements and sources. The dividend decision concerns distribution or retention of profit. The financing decision chooses the sources of funds. These broader decisions do not name the particular increase in shareholders' earnings described.

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

Quick Tip to Solve: The phrase increased equity earnings through fixed interest points to trading on equity.

4. 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 responds to changes in external business conditions.
- Management is a dynamic function: managers adapt their organisation to changes in its environment.

Step 1: Identify the feature and its evidence Management is a dynamic function. The case says AK Solutions "adapted itself to the needs of the environment and converted conference halls into libraries and study centres after floods disrupted students' facilities. The firm changed its services in response to changed circumstances.

Step 2: Rule out the other features A continuous process means management functions are performed repeatedly; an intangible force is felt through results; group activity involves coordinating people towards common goals. Although these can characterise management generally, the decisive evidence here is adaptation to environmental change.

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

Quick Tip to Solve: When the organisation changes its activities after an environmental change, choose dynamic function.

5. 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 :

(a) (b) (c) (d) [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: Taylor advocated scientific analysis in place of rule-of-thumb work methods.
- Scientific management uses method, motion, time and fatigue studies to improve the efficiency of work.

Step 1: Match each study with its purpose Method study determines the one best way of doing a job, so (a) matches (iv). Motion study examines movements such as lifting, sitting and changing positions to eliminate unnecessary motions, so (b) matches (i). Time study establishes the standard time for a well-defined job, so (c) matches (iii). Fatigue study determines the amount and frequency of rest intervals, so (d) matches (ii).

Step 2: Check the offered sequences In the printed order (a), (b), (c), (d), the sequence must therefore be (iv), (i), (iii), (ii). Option (A) wrongly assigns rest intervals to method study; (B) assigns movements to method study; and (D) assigns standard time to method study. Only (C) preserves all four matches.

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

Quick Tip to Solve: Use four cues: method = best way, motion = movements, time = duration, fatigue = rest.

6. 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: managers decide in advance what to do and how to do it.
- Planning is futuristic: it anticipates future events and prepares courses of action to meet them effectively.

Step 1: Judge the assertion Assertion (A) is true. Planning involves looking ahead: managers anticipate future conditions and decide in advance what is to be done and how to do it. It prepares an organisation for the future.

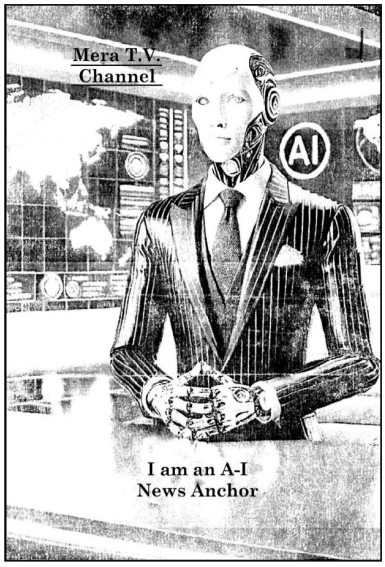
Step 2: Judge the reason Reason (R) is also true. Planning aims to meet future events effectively to the best advantage of the organisation, by preparing suitable action rather than leaving its response entirely to chance.

Step 3: Test the explanatory link The reason explains why planning looks ahead and prepares for the future: advance preparation helps the organisation respond effectively to future events. Thus (B) wrongly denies the explanatory link, while (C) and (D) wrongly treat one of the two true statements as false.

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

Quick Tip to Solve: After testing both statements, ask whether the reason explains the need to look ahead.

7. 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 change offers opportunities and may make existing methods obsolete.
- The technological environment comprises scientific improvements and innovations that change methods of production and the delivery of services.

Step 1: Read the visual evidence The picture identifies its presenter as "I am an A-I News Anchor." Using artificial intelligence to present television news illustrates a technological innovation in the delivery of a service. This is direct evidence of the technological dimension of the business environment.

Step 2: Eliminate the other dimensions The social dimension concerns customs, values and social trends; the political dimension concerns political conditions and government attitudes; the economic dimension concerns factors such as income, interest rates and economic policy. The picture specifically highlights AI technology, rather than any of these factors.

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

Quick Tip to Solve: Look for the innovation shown in a picture: AI and automation indicate technology.

For Visually Impaired Candidates:

7. Shifts in demand from steam locomotives to electric engines, from fountain pens to ball-point pens, from typewriters to computer based word processors highlights which of the following dimension of business environment? [1 mark]

(A) Economic

(B) Technological

(C) Political

(D) Social

Correct Answer: (B) Technological

Solution:

Concept:

- Business Environment: the technological dimension includes scientific improvements and innovations in products, production methods and service delivery.
- Technological change can make existing products obsolete and shift demand towards more advanced substitutes.

Step 1: Identify the common change The shifts from steam locomotives to electric engines, fountain pens to ball-point pens and typewriters to computer based word processors all involve improved technology. In each example, a newer product or method replaces an older one. Thus, the changes in demand arise from technological developments.

Step 2: Check each alternative Option (B), Technological, captures this common cause. Option (A), Economic, concerns factors such as income, interest rates and general economic conditions, which are not described here. Option (C), Political, concerns political conditions and government attitudes. Option (D), Social, concerns customs, values and social trends. Neither political conditions nor social values are the basis of the listed replacements.

Step 3: Conclusion The changes highlight the technological dimension of the business environment. Hence, the correct option is (B).

Quick Tip to Solve: When newer inventions replace older products, identify the technological dimension even if the question mentions demand.

8. 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 three-tier consumer dispute redressal machinery and its appeal hierarchy.
- An appeal normally moves from the District Commission to the State Commission, from the State Commission to the National Commission, and from the National Commission to the Supreme Court.

Step 1: Trace the appeal route The statement in (D) follows the textbook hierarchy: a party dissatisfied with the order of the National Commission can appeal before the Supreme Court. This is the highest appellate destination shown in the consumer redressal machinery.

Step 2: Eliminate the skipped levels Option (A) skips the State Commission after the District Commission. Option (B) skips both the State and National Commissions. Option (C) skips the National Commission after the State Commission. Therefore none describes the normal appeal sequence tested here.

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

Quick Tip to Solve: Write the appeal ladder as District, State, National, Supreme Court, and reject routes that skip a level.

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: adaptation to change as an importance of the organising function.
- Organising creates a structure of roles and relationships that can be modified when the business environment changes.

Step 1: Identify the decisive words The phrases 'accommodate changes in the business environment' and 'structure to be suitably modified' directly describe adaptation to change. Organising permits the enterprise to adjust its structure and make a smooth transition to changed conditions.

Step 2: Compare the other benefits Option (A), specialisation, arises from dividing work into specific tasks. Option (B) concerns clarity about authority and reporting relationships. Option (C) concerns avoiding waste and duplication in resource use. None of these is the central issue of modifying structure in response to environmental changes.

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

Quick Tip to Solve: When a case stresses changing the organisation structure to suit environmental changes, choose adaptation to change.

10. 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, especially organisational rules and regulations.
- Rigid rules and cumbersome procedures can delay messages and decisions, making communication ineffective.

Step 1: Locate the source of the delay Nimesh sought approval through a letter, but 'rigid rules and cumbersome procedures' delayed sanction. The obstacle lies in the organisation's prescribed procedures rather than in the wording of the message or the willingness of the people involved. This makes it an organisational barrier.

Step 2: Rule out the alternatives Option (A), a semantic barrier, concerns language, symbols or interpretation. Option (B), a psychological barrier, arises from states of mind such as distrust or premature evaluation. Option (D), a personal barrier, arises from individual attitudes or motives. The case identifies procedural rigidity instead of any of these causes.

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

Quick Tip to Solve: Treat rigid rules, lengthy approval procedures and inflexible communication channels as organisational barriers.

11. 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: a product is a bundle of benefits sought by consumers.
- The NCERT classification of consumer benefits comprises functional, social and psychological benefits.

Step 1: Complete the textbook classification Functional benefits relate to what a product does, social benefits to its effect on social acceptance or status, and psychological benefits to personal satisfaction, pride or a sense of well-being. The missing member of the stated classification is therefore psychological benefits.

Step 2: Check the remaining options Technological benefits in (A) describe technical features or performance, while economic benefits in (B) concern monetary advantage. Environmental benefits in (D) concern effects on the natural environment. Although products may offer such advantages, these are not the third category in the specific three-part NCERT classification asked here.

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

Quick Tip to Solve: Remember the product-benefit trio in this order: functional, social and psychological.

12. "The obligation of a subordinate to properly perform the assigned duty" is called : [1 mark]

(A) Delegation

(B) Authority

(C) Responsibility

(D) Accountability

Correct Answer: (C) Responsibility

Solution:

Concept:

- Organising: responsibility as an element of delegation.
- Responsibility is the obligation of a subordinate to properly perform the assigned duty; accountability is answerability for the final outcome.

Step 1: Match the exact definition The words 'obligation of a subordinate to properly perform the assigned duty' define responsibility. Once a superior assigns work, the subordinate is responsible for

carrying it out in the prescribed manner. The focus is on performing the duty.

Step 2: Distinguish the related terms Delegation in (A) is the broader process involving authority, responsibility and accountability. Authority in (B) is the right to command and take decisions. Accountability in (D) is answerability for the final outcome of the assigned task. Thus accountability should not be confused with the obligation to perform the task itself.

Step 3: Conclusion The term is responsibility. Hence, the correct option is (C).

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

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13. '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: inflation as a factor affecting working capital requirements.
- When input prices rise, more funds are needed to finance the same volume of production and sales.

Step 1: Identify what changed in the case The cost of dates, dry fruits and other ingredients increased, and 'larger amounts of funds were required to maintain a constant volume of production and sales'. The physical scale is unchanged; it is the higher prices that raise the money tied up in current operations. This indicates inflation.

Step 2: Exclude the other factors Option (A), availability of raw material, concerns supply conditions and the inventory that must be maintained; no shortage is described. Option (C), scale of business, would involve a change in the volume of operations, which the case says remains constant. Option (D), production cycle, concerns the time taken to convert inputs into finished goods; no longer cycle is stated.

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

Quick Tip to Solve: If the same quantity of inputs and output needs more money because prices rise, identify inflation rather than expansion.

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14. 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 as the process of stimulating people to act to achieve desired objectives.
- Motivation addresses willingness to work; ability alone does not ensure effective performance.

Step 1: Connect the behaviour with the concept The workers had the ability but were 'reluctant to do the work'. Atul understood the 'causes of behaviour of people' and stimulated them to work in the desired manner. Their movement from reluctance to efficient performance highlights motivation: inducing people to act towards organisational objectives.

Step 2: Distinguish the alternatives Leadership in (A) concerns influencing people to follow a leader, but the specific emphasis here is on understanding behaviour and creating willingness to work. Options (B) and (D) are types of incentives that can motivate employees. The case specifies neither monetary rewards nor a particular non-financial incentive, so the broader concept of motivation is the appropriate answer.

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

Quick Tip to Solve: When workers can do the work but lack willingness, look for motivation; do not assume an incentive that the case never mentions.

15. 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:

- Internal recruitment fills vacancies from existing employees through transfers and promotions.
- Existing employees are already known to the organisation, which simplifies assessment and selection.

Step 1: Identify the benefit The organisation already has information about the abilities, performance and conduct of its employees. It can assess their suitability for a vacancy more easily than it can assess unfamiliar outside applicants. Thus, using internal sources simplifies the selection process.

Step 2: Check the other statements Option (B) describes the wider pool available through external recruitment. Option (C), bringing new blood into the organisation, also applies to external recruitment. Option (D) is not a benefit and does not describe the usual economy and speed of internal recruitment.

Step 3: Conclusion Internal sources help in simplifying the process of selection. Hence, the correct option is (A).

Quick Tip to Solve: Link internal recruitment with employees whose performance is already known.

16. 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 concerns obtaining, utilising and maintaining a satisfied and satisfactory workforce.
- Staffing continues throughout the life of an organisation as its human resource requirements change.

Step 1: Evaluate Statement I Statement I is true. Staffing is the managerial function concerned with placing suitable people in organisational positions and maintaining an effective workforce. Obtaining employees, using their abilities and sustaining their satisfaction all form part of this function.

Step 2: Evaluate Statement II and the alternatives Statement II is also true. Recruitment, selection, training, appraisal and development recur as employees leave, retire or move to other positions and the organisation grows. Staffing is therefore continuous. Option (B) wrongly rejects both statements; (C) wrongly rejects Statement II; and (D) wrongly rejects Statement I.

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

Quick Tip to Solve: Staffing does not end with recruitment; employee development and replacement continue.

17. 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:

- The dividend decision determines how much of earnings is distributed and how much is retained.
- Companies with growth opportunities retain more earnings to finance profitable expansion and consequently pay lower dividends.

Step 1: Identify the case evidence The decisive words are "Entering these markets will require additional capital investment and "retain money out of their earnings to finance the required investment. New products and entry into emerging markets create growth opportunities that require funds.

Step 2: Distinguish the competing factors Option (A), amount of earnings, concerns the level of profit available; the case already says profits are good. Option (B), stability of earnings, concerns predictability of profit. Option (C), stability of dividends, concerns maintaining a dividend pattern. None explains the deliberate reduction to finance expansion as directly as growth opportunities do.

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

Quick Tip to Solve: When profits are retained for new products or new markets, identify growth opportunities.

18. 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 guides, motivates and leads employees towards organisational objectives.
- Effective directing helps employees understand and accept needed changes, reducing resistance.

Step 1: Evaluate the assertion Assertion (A) is true. Through communication, leadership and motivation, managers explain the need for change, clarify its benefits and secure employee cooperation. Directing therefore facilitates the introduction of needed changes in the organisation.

Step 2: Evaluate the reason Reason (R) is false. Effective directing reduces resistance by addressing doubts and encouraging acceptance; it does not increase resistance as stated. The reason reverses the textbook explanation of the importance of directing.

Step 3: Test the explanatory relationship and options Since the reason is false, it cannot explain the true assertion. Options (A) and (D) wrongly treat both statements as true, while option (C) wrongly treats the assertion as false and the reason as true. The alternative that accepts only the assertion is appropriate.

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

Quick Tip to Solve: Watch for a reversed effect: directing reduces resistance and helps employees accept change.

19. 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:

- A budget is a statement of expected results expressed in numerical terms.
- A sales budget can express expected sales in quantities and provides a standard for comparison with actual sales.

Step 1: Match the numerical sales plan The case states that Kavi "forecasts the sales for each school and month and that "All items are represented in numbers. These are expected results expressed numerically. The planned sales quantities also provide a standard against which actual sales can be compared.

Step 2: Eliminate the other plans A strategy in option (A) is a comprehensive plan for achieving organisational objectives. A policy in option (B) is a general guideline for decisions. A programme in option (C) sets out activities, steps and resources for a project. The specific numerical forecast in the case fits a budget instead.

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

Quick Tip to Solve: A budget may state quantities as well as money; look for numerical expected results.

20. '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:

- Management coordinates group efforts to achieve selected objectives effectively and efficiently.
- Organising, staffing and directing are individual functions within the overall management process.

Step 1: Identify the overall process The definition refers to designing and maintaining an environment in which people work together in groups and efficiently accomplish selected aims. It describes management as a whole: managers coordinate people and resources to enable collective achievement of objectives.

Step 2: Distinguish the individual functions Organising in option (B) establishes work relationships and allocates duties. Staffing in option (C) obtains and develops suitable employees. Directing in option (D) guides, motivates and leads them. Each contributes to management, but none alone covers the entire process described in the definition.

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

Quick Tip to Solve: A definition covering group effort, the work environment and overall aims refers to management.

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21. 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 promote informed purchases, fair dealing and effective redressal.
- A consumer should distinguish responsibilities already fulfilled in the case from other duties that the question asks him to state.

Step 1: Identify what Aman has already done Aman compared "features, price, after-sale-service and customer reviews", checked the "ISI mark", and followed the manufacturer's instructions. These show awareness of products, preference for standardised goods and learning about safe use. Since the question asks for responsibilities left unfulfilled, these actions should not be repeated as the answer.

Step 2: State three other consumer responsibilities

- **Read labels carefully:** Aman should read the oven's label and purchase information to check its price, relevant specifications and other particulars before buying it. This helps him verify the exact product and the terms offered.
- **Ask for a cash memo:** He should obtain and retain a cash memo or bill for the purchase. It

provides evidence of the transaction and helps him seek redressal if a defect or deficiency in service arises.

- **Deal honestly:** He should be honest in his dealings and choose only legal goods and services. He should discourage unscrupulous practices such as black marketing and hoarding instead of supporting them for personal convenience.

Step 3: Conclusion The three additional responsibilities are reading labels carefully, obtaining a cash memo, and being honest in dealings while choosing only legal goods and services.

Quick Tip to Solve: First cross out the responsibilities expressly performed in the case; state three different NCERT duties.

22(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 for buying and selling existing securities.
- Its functions include liquidity, price discovery and a regulated framework that makes transactions safer.

Step 1: Explain liquidity and marketability **Providing liquidity and marketability to existing securities:** A stock exchange provides a ready and continuous market in which investors can buy and sell securities already issued. An investor needing funds can sell the securities and convert the investment into cash. Thus, the exchange makes investment and disinvestment possible and gives investors confidence that their savings need not remain locked in permanently.

Step 2: Explain the pricing function **Pricing of securities:** Prices of securities are determined through the forces of demand and supply in the stock exchange. Buyers and sellers express their assessments of a company's prospects through their orders, and their interaction produces market prices. These quotations provide a basis for valuation and give useful information to investors and companies considering transactions in securities.

Step 3: Explain safety of transactions **Safety of transaction:** Membership of a stock exchange is regulated, and transactions take place under a well-defined legal framework and its rules and regulations. Dealings through authorised members and compliance with these rules promote fair practices and protect investors' interests. This creates greater confidence in trading; it does not mean that the exchange guarantees a profit or removes the risk of a fall in market prices.

Step 4: Conclusion A stock exchange makes existing securities readily saleable, helps determine their prices through demand and supply, and promotes fair, regulated transactions.

Quick Tip to Solve: Link liquidity to resale, pricing to demand and supply, and safety to the regulated trading framework.

OR

22(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 in new securities, while the secondary market deals in existing securities.
- Distinguish the markets using the same basis in each row: nature of securities, parties to the transaction and destination of funds.

Step 1: Identify the two markets The primary market is also called the new issue market because a company offers securities to investors for the first time or makes a fresh issue. The secondary market provides a market for securities that have already been issued. It allows existing investors to transfer their holdings to other investors.

Step 2: Differentiate on three bases

Basis	Primary market	Secondary market
Nature of securities	New securities are issued and sold for the first time by the issuing company.	Existing securities that have already been issued are bought and sold.
Parties to the transaction	The transaction is between the issuing company and investors, directly or through intermediaries.	The transaction is between investors; the issuing company is generally not a party to the resale.
Destination of funds	Sale proceeds go to the issuing company and provide it with funds for its financial needs.	Sale proceeds go to the selling investor. The resale does not directly provide fresh funds to the issuing company.

Step 3: Connect the distinction with their roles The primary market therefore mobilises fresh capital for companies. The secondary market supports this process by giving investors liquidity: they can sell their existing holdings instead of waiting for the company to return their investment. The two markets perform complementary roles even though their transactions differ.

Step 4: Conclusion The primary market issues new securities and channels funds to companies; the secondary market transfers existing securities and channels the sale proceeds to selling investors.

Quick Tip to Solve: Ask whether the security is newly issued and who receives the money: the company or an existing investor.

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

(i) Investment Outlay

(ii) Duration [3 marks]

Solution:

Concept:

- Financial Markets: the money market deals in short-term funds and monetary assets, whereas the capital market provides medium-term and long-term finance.
- The investment outlay is the amount needed to invest; duration refers to the period for which funds are provided.

Step 1: Meaning of money market **Money market:** It is the market for short-term funds dealing in monetary assets whose period of maturity is up to one year. Such assets are close substitutes for money because they are highly liquid. Money-market instruments meet temporary financing needs, including working-capital requirements; they do not provide permanent capital to a business.

Step 2: Differences on the specified bases

Basis	Capital market	Money market
Investment outlay	Investment does not necessarily require a huge financial outlay. Securities are available in smaller units, allowing relatively small investors to participate.	Transactions entail a huge financial outlay, as instruments are generally issued and traded in large denominations.
Duration	It deals in medium-term and long-term securities, generally for periods exceeding one year. Equity shares provide funds without a fixed maturity.	It deals in short-term securities with a maturity period of up to one year.

Step 3: Conclusion The money market supplies short-term funds up to one year; compared with the capital market, its transactions generally require a much larger investment outlay.

Quick Tip to Solve: Keep the bases separate: outlay is the size of investment, while duration is its maturity period.

OR

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

Solution:

Concept:

- Financial Markets: SEBI performs developmental functions to promote orderly growth and improve the quality of the securities market.
- Its developmental role includes training intermediaries, conducting research and publishing useful information, and adopting a flexible approach to develop capital markets.

Step 1: Training and market research

- **Training intermediaries:** SEBI promotes the training of intermediaries in the securities market, such as stockbrokers. Training develops the professional knowledge and competence needed for efficient market services and helps intermediaries understand their responsibilities.
- **Research and publication of information:** SEBI conducts research and publishes information useful to all market participants. Studying market developments and making the findings available improves the information base for participants and helps them make better-informed decisions.

Step 2: Measures to develop the capital market

- **Flexible approach to market development:** SEBI undertakes measures to develop capital markets by adopting a flexible approach. Its developmental role involves facilitating useful market practices and initiatives that support the growth and efficient functioning of the securities market, while safeguarding investors' interests.

These activities develop the knowledge, capability and functioning of the market. Training improves intermediaries' competence; research and publication provide useful information; and a flexible approach facilitates market development. They are distinct from protective measures such as prohibiting insider trading and regulatory measures such as registering brokers.

Step 3: Conclusion Three developmental functions are training securities-market intermediaries; conducting research and publishing useful information; and undertaking measures to develop capital markets by adopting a flexible approach.

Quick Tip to Solve: Count research and publication together as one function; add training and a flexible approach to market development.

24. 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 exchange of information, facts, ideas and feelings to create common understanding.
- The communication process begins with sender, message, encoding, media and decoding, in that order.

Step 1: (i) Identify the concept from the case The concept is **communication**. The case explicitly mentions that there was "no proper exchange of facts, ideas and views" between Vicky and the employees. It also states that he was unable to "foster a common understanding of the product". Both expressions identify communication: merely possessing high-quality products does not ensure that employees understand their features and can communicate their value to clients.

Step 2: (ii) State the first five elements of the communication process

- **Sender:** The person who conveys thoughts or ideas to a receiver. In the case, Vicky is the sender when conveying product information to employees.
- **Message:** The content of the ideas, information or suggestions to be communicated. Here it concerns the facial kits' key benefits and features.
- **Encoding:** The process of converting the message into communication symbols, such as words, pictures or gestures.
- **Media:** The path or channel through which the encoded message is transmitted from sender to receiver, such as an oral conversation or a written message.
- **Decoding:** The process of converting the encoded symbols received into a form that the receiver understands.

The wording of the question asks for the first five elements of the process, so the sequence stops at decoding.

Step 3: Conclusion The concept is communication; its first five process elements are sender, message, encoding, media and decoding.

Quick Tip to Solve: Recall the process in sequence: who sends, what is sent, how coded, which channel, then interpretation.

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

(i) Unity of Command

(ii) Order [4 marks]

Solution:

Concept:

- Principles of Management: Fayol's principles provide general guidelines for managerial action and efficient organisation of work.
- Unity of command concerns the authority giving instructions to an employee; order concerns the proper placement of people and materials.

Step 1: (i) Unity of Command

- **One employee, one superior:** Each employee should receive orders from, and be accountable to, only one superior. This establishes a clear reporting relationship and fixes responsibility for the work assigned.
- **Avoidance of conflicting instructions:** If two superiors give orders to the same employee, the orders may conflict and the employee may be unable to satisfy both. This undermines authority, weakens discipline and creates confusion. For example, a salesperson told by one superior to allow a discount and by another to refuse it faces divided command; a single reporting superior prevents this difficulty.

Step 2: (ii) Order

- **Right place for people and materials:** According to this principle, there should be a place for everything and everyone, and everything and everyone should be in the designated place. Material order means keeping tools, equipment and other resources in their proper locations; social order means placing suitable people in appropriate jobs.
- **Efficient use of time and resources:** Proper placement ensures that materials can be found when needed and that employees know where they belong and what they must do. It avoids time lost in searching for resources and unnecessary movement, enabling work to proceed smoothly. For example, clearly designated storage locations for tools help employees obtain them promptly.

Step 3: Conclusion Unity of command ensures a clear line of authority through one reporting superior, while order ensures suitable placement of people and materials for efficient work.

Quick Tip to Solve: Link unity of command to who gives orders, and order to where people and materials belong.

OR

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

(i) Scientific Decision

(ii) Fulfilling Social Responsibility [4 marks]

Solution:

Concept:

- Principles of Management: General guidelines derived from experience and experimentation help managers make sound decisions and discharge their responsibilities towards society.
- Their significance includes scientific decisions based on facts and fair consideration of the interests of different stakeholders.

Step 1: (i) Scientific Decision

- **Decisions based on facts and logic:** Management principles enable managers to take thoughtful decisions based on an objective assessment of the situation. Decisions become scientific when they rest on facts, reasoning and justification, rather than on personal prejudice, arbitrary judgement or mere guesswork.
- **Balanced and defensible choices:** The principles help managers examine cause-and-effect relationships and evaluate available courses of action. They encourage timely, realistic and balanced decisions that can be explained to others. For example, the principle of fair remuneration guides a manager to consider both employees' needs and the organisation's paying capacity when deciding wages, rather than favouring particular individuals.

Step 2: (ii) Fulfilling Social Responsibility

- **Sensitivity to society's expectations:** Management principles help managers recognise that an organisation operates within society and must respond to its needs. Its decisions should take account of employees, consumers and other stakeholders along with the interests of owners.
- **Responsible conduct towards stakeholders:** Principles guide managers towards equitable treatment, fair remuneration and ethical business practices. For example, fair wages protect employees' interests, while supplying quality products at reasonable prices serves consumers. As social values change, the application of principles also develops to meet these expectations. Thus, they encourage managers to pursue organisational objectives while fulfilling obligations towards society.

Step 3: Conclusion Management principles support scientific decisions through objective reasoning and promote social responsibility by guiding managers to consider society's expectations and stakeholder welfare.

Quick Tip to Solve: Explain scientific decisions through facts and logic; explain social responsibility through stakeholder welfare and society's expectations.

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

(i) Co-ordination ensures unity of action.

(ii) Co-ordination is a continuous process. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: Co-ordination integrates the activities of different individuals and departments towards common organisational objectives.
- Unity of action and continuity explain how co-ordination harmonises interdependent work throughout the management process.

Step 1: (i) Co-ordination ensures unity of action **A common purpose:** Co-ordination acts as a binding force between departments and ensures that all their actions are directed towards achieving the goals of the organisation. Individuals and departments may have different tasks and priorities, but their efforts must contribute to the same overall objective.

Harmony among interdependent activities: It integrates these separate efforts so that one department's decisions support those of the others. For example, production must manufacture the quantity that sales can sell, while purchasing arranges the necessary materials. By linking these activities, co-ordination avoids conflicting efforts and brings unity of action. Thus, separate activities become parts of one purposeful organisational effort.

Step 2: (ii) Co-ordination is a continuous process **An ongoing requirement:** Co-ordination is not a one-time activity. It begins at the planning stage and continues through organising, staffing and directing, right up to controlling. Plans must be consistent, duties must fit together, and people must work in harmony while carrying them out.

Integration as work progresses: Since activities are interdependent and conditions keep changing, managers must maintain co-ordination throughout operations. For example, a change in the sales plan requires corresponding adjustments in production and purchasing. During controlling, deviations are identified and corrective action is co-ordinated with the concerned departments. Therefore, co-ordination continues for as long as organisational activities are performed.

Step 3: Conclusion Co-ordination ensures unity of action by binding different efforts to common goals, and it is continuous because this integration is needed throughout every management function.

Quick Tip to Solve: Link unity of action with a common organisational goal, and continuity with all management functions from planning to controlling.

OR

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

(i) Management is a group activity.

(ii) Management is an intangible force. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: Management is the process of getting work done effectively and efficiently with and through people to achieve organisational goals.
- Management involves collective effort, while its presence is recognised through its effects on people and organisational performance.

Step 1: (i) Management is a group activity **Collective effort:** An organisation consists of people with different needs and purposes who work together towards common objectives. Management involves a group of individuals contributing through their respective roles; it is not merely the effort of one individual working in isolation. Organisational goals require their combined efforts.

Direction towards a common goal: Management gives this collective effort a common direction and brings about teamwork and co-ordination. A manager enables different members to contribute their abilities towards the organisation's objectives, while also taking account of their individual needs and aspirations. For example, production, finance and sales personnel perform different jobs, but management unites their work towards the success of the enterprise.

Step 2: (ii) Management is an intangible force **Known through its effects:** Management cannot be seen or touched as a physical object. It is an unseen force whose presence can be felt in the way an organisation functions. Managers and employees are visible, but management itself is recognised through the results of their organised efforts.

Evidence in organisational performance: Its presence is evident when targets are met according to plans, employees are happy and satisfied, and there is orderliness instead of chaos. Smooth operations and coordinated efforts indicate effective management. Conversely, confusion, dissatisfied employees and failure to achieve planned targets may reveal weaknesses in management. Thus, although management has no physical form, its influence on organisational functioning and performance is observable.

Step 3: Conclusion Management is a group activity because it directs people's collective efforts towards common goals. It is an intangible force because its presence is felt through orderly functioning, employee satisfaction and achievement of targets.

Quick Tip to Solve: For group activity, explain collective effort and common goals; for intangible force, give observable effects such as orderliness and satisfied employees.

27. 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 concerns the allocation of a firm's funds among investment proposals and assets.
- Capital budgeting is the long-term investment decision involving fixed assets. Its appraisal considers the project's cash flows and rate of return, among other factors.

Step 1: (i) Identify and state the financial decision **Long-term investment decision or capital budgeting decision:** It concerns investment of the firm's funds in long-term assets that generate benefits over several years. The decision determines which long-term investment proposals should receive funds. Here, Langar plans to import machines costing Rs. 12 crores each to expand its business while maintaining quality and hygiene.

The clues are "import machines with advanced technology", "a huge cost" and "the decision, once taken is irreversible". Such expenditure commits substantial funds for the long term, affects future earning capacity and involves risk. It is therefore a capital budgeting decision.

Step 2: (ii) Explain two factors affecting this decision **1. Cash flows of the project:** Investment in a fixed asset entails an initial cash outflow and a series of cash inflows and outflows over its life. The amount and timing of these cash flows must be carefully analysed before accepting the proposal. Langar should assess the cash required for the machines and their operation against the cash expected from the expanded business; accounting profit alone is insufficient for this evaluation.

2. Rate of return: The expected return from an investment proposal is a major criterion in its selection. A proposal should be assessed in relation to the return it is expected to earn and the risk involved. Other things being equal, a project offering a higher rate of return is preferred. Langar should estimate the return from the machines and compare it with the investment required before committing funds.

Step 3: Conclusion The decision is **capital budgeting**, a long-term investment decision. Two factors affecting it are the **cash flows of the project** and its **rate of return**.

Quick Tip to Solve: When a case links expensive fixed assets with a long commitment and irreversibility, identify capital budgeting; then explain project-appraisal factors rather than sources of finance.

28. 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 marketing-mix element concerned with communication that informs and persuades prospective customers about a product or service.
- Advertising and sales promotion are distinct promotion-mix tools: advertising communicates impersonally, while sales promotion supplies short-term purchase incentives.

Step 1: (i) Identify and explain the marketing-mix element **Promotion:** Promotion refers to activities that communicate the availability, features and merits of a product or service to target customers and persuade them to buy it. It seeks to inform customers, create interest and encourage purchase. The gym uses a poster to attract Anika's attention and temporary schemes to induce her to join its weight loss programme. These communication and persuasion efforts identify promotion as the marketing-mix element in the case.

Step 2: (ii) First tool: advertising **Advertising:** It is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The case clue is that Anika "saw an attractive poster of a gym". The poster presents the gym's service impersonally to people who see it; the gym is the identified sponsor. It creates awareness and arouses her interest, prompting her to enquire about the weight loss programme. Its message is directed at prospective customers generally rather than being a personal sales conversation with Anika.

Step 3: (ii) Second tool: sales promotion **Sales promotion:** It consists of short-term incentives designed to encourage buyers to make an immediate purchase. The gym offers a "50% discount on the fee", "free coach facility and free protein diet", with the offers "valid only for 10 days". The discount and free benefits provide extra value, while the time limit encourages a quick decision. Anika's immediate payment and enrolment show the purchase response these incentives seek. Thus, the schemes illustrate sales promotion in addition to the poster's advertising function.

Step 4: Conclusion The marketing-mix element is **promotion**. The two communication tools highlighted are **advertising**, through the gym's poster, and **sales promotion**, through the limited-period discount and free benefits.

Quick Tip to Solve: Separate the communication medium from the buying incentive: the poster signals advertising, while a temporary discount or free benefit signals sales promotion.

29. 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 completing the assigned task and achieving the desired goal within the stipulated time.
- Efficiency means doing the task correctly with minimum cost and optimum use of resources. Management must balance goal achievement with economical use of resources.

Step 1: (i) Identify the concepts for the three groups **Group I – effective and efficient:** The group refurbished "150 old dresses at a cost of Rs. 30 per dress". It achieved the target of 150 dresses within the fortnight and kept the cost within the prescribed Rs. 30 per dress. Thus, it fulfilled both the output objective and the cost standard.

Group II – effective but inefficient: This group refurbished "150 old dresses at a cost of Rs. 35 per dress". It achieved the required output within the stipulated time, so it was effective. However, its cost exceeded the prescribed Rs. 30 per dress; therefore, it did not use resources economically and was inefficient.

Group III – efficient but ineffective: This group refurbished "only 140 old dresses but at a cost of Rs. 27 per dress". It reduced cost below the prescribed level and was efficient in terms of cost. However, it fell short of the target of 150 dresses within the fortnight, so it was ineffective.

Step 2: (ii) Explain the meanings and their importance **Effectiveness:** It is concerned with doing the right task, completing activities and achieving the desired objectives within the given time. Here, it means refurbishing 150 dresses in a fortnight.

Efficiency: It is concerned with doing the task correctly at minimum cost, obtaining maximum output from the available inputs and avoiding wastage. Here, it is reflected in controlling the cost of

refurbishing each dress.

Both are important: Management must achieve its goals effectively and efficiently. Completing the target at excessive cost wastes scarce resources, as Group II shows; reducing costs while failing to achieve the target leaves objectives unfulfilled, as Group III shows. Good management therefore achieves the required results with minimum resources and cost, as Group I does.

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 against the target for effectiveness, then compare actual cost per dress with the prescribed cost for efficiency.

30. 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 directions and reducing overlapping and wasteful activities.
- Plans specify objectives and the action required in advance. They guide individual effort towards common goals and provide a basis for coordinating activities.

Step 1: 1. Planning provides directions **Identification and evidence:** The first point is that **planning provides directions**. Prachi "ensures that the goals are clearly stated for each and every teacher" so that they guide "what action should be taken and in which direction".

Explanation: Planning states in advance how work is to be done and establishes well-defined goals. These goals guide employees in choosing the activities they should undertake. Each teacher knows what is to be achieved and the methods to be followed while teaching and supporting the students. This gives purposeful direction to individual effort and directs teachers towards the school's common objectives. Without such plans, teachers could work without knowing how their activities contribute to the intended results.

Step 2: 2. Planning reduces overlapping and wasteful activities **Identification and evidence:** The second point is that **planning reduces overlapping and wasteful activities**. The case states that Prachi's 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: Plans provide a common basis for coordinating the activities of different individuals

and departments. They clarify what is to be done and how the activities fit together. Consequently, confusion and misunderstanding are reduced, unnecessary duplication of effort is avoided and wasteful activities can be identified and eliminated. In this case, the teachers of different subjects can coordinate their efforts to provide the intended support to the students, instead of performing disconnected or overlapping activities.

Step 3: Conclusion The two points are **planning provides directions** and **planning reduces overlapping and wasteful activities**.

Quick Tip to Solve: Link clearly stated goals and the direction of action to directions; link coordination and clarity of work to reducing overlapping and wasteful activities.

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

(i) Selection Decision

(ii) Medical Examination

(iii) Job Offer

(iv) Contract of Employment [6 marks]

Solution:

Concept:

- Staffing: selection is the process of choosing the best person from the applicants for a job. The final stages follow assessment of the candidates and establish fitness, acceptance and the terms of employment.
- Selection decision, medical examination, job offer and contract of employment are distinct steps: choosing a candidate does not by itself complete the formalities of appointment.

Step 1: (i) Selection decision **Selection decision:** The final decision is made from among the candidates who have successfully passed the selection tests, interviews and reference checks. The views of the manager responsible for the performance of the new employee are generally considered in making this decision. The chosen candidate should possess the qualifications and abilities required for the job. Thus, this step converts the results of the earlier assessments into a decision about whom the organisation should appoint.

Step 2: (ii) Medical examination **Medical examination:** After the selection decision and before the job offer is made, the candidate is required to undergo a medical fitness test. The job offer is conditional on the candidate being declared fit for the job. The purpose is to establish that the person is medically capable of performing the duties of the particular post. It is a check of fitness for employment, distinct from tests of knowledge, skill or aptitude used earlier in selection.

Step 3: (iii) Job offer **Job offer:** The organisation makes an offer to the applicant who has passed the preceding hurdles. It is communicated through a letter of appointment. The letter confirms the candidate's selection and states the date by which the candidate must report for duty. A reasonable time should be allowed for joining, particularly where the candidate is already employed elsewhere and has to give notice or complete other commitments. The offer therefore communicates the organisation's willingness to employ the selected person formally.

Step 4: (iv) Contract of employment **Contract of employment:** After the job offer is made and the candidate accepts it, the employer and employee execute the required documents, including an attestation form giving important particulars about the candidate. A written contract records the terms and conditions of employment so that both parties understand their rights and obligations. These may include the job title and duties, the date employment begins, pay and allowances, hours of work, leave entitlement, disciplinary procedures, and the notice needed to terminate employment. This step provides a formal basis for the employment relationship.

Step 5: Conclusion The four steps respectively finalise the choice of employee, establish medical fitness, communicate the appointment offer and formally record the agreed conditions of employment.

Quick Tip to Solve: Remember the sequence: decide whom to select, check fitness, offer the job, and record the accepted employment terms.

OR

31(b). Explain the following financial incentives :

(i) Profit sharing

(ii) Co-partnership

(iii) Productivity linked wage incentives

(iv) Perquisites [6 marks]

Solution:

Concept:

- Directing: motivation encourages people to act to achieve desired goals. Financial incentives are incentives expressed in money, or capable of being measured in monetary terms, that help satisfy employees' financial needs.
- Profit sharing, co-partnership, productivity linked wage incentives and perquisites reward employees in different ways. They respectively link rewards to profits, ownership, productivity and additional benefits.

Step 1: (i) Profit sharing **Profit sharing:** Under this incentive, employees receive a share in the profits of the organisation. It encourages them to improve their performance and contribute to higher profits because an increase in organisational profit can also improve their own earnings. The payment is related to the organisation's profits; it does not by itself make employees shareholders or owners of the company.

Step 2: (ii) Co-partnership **Co-partnership:** Under this scheme, employees are offered shares in the company at a price lower than the market price. Allotment of shares creates a feeling of ownership among employees and makes them partners in the progress of the organisation. It encourages them to contribute to its growth because improvement in the company's performance can benefit them as shareholders. Employee stock option schemes are an example of this incentive. Unlike profit sharing alone, co-partnership gives employees an ownership interest through shares.

Step 3: (iii) Productivity linked wage incentives **Productivity linked wage incentives:** These

schemes link the payment of wages or incentives to an increase in productivity at the individual or group level. A worker or team that achieves higher productivity receives an additional financial reward according to the scheme. The prospect of higher earnings motivates employees to improve their efficiency and work performance. The incentive is based on improvement in productivity.

Step 4: (iv) Perquisites **Perquisites:** These are additional benefits provided over and above salary, generally to managerial personnel. Examples include housing, medical aid, education facilities for children and a company car or car allowance. Such benefits have a measurable monetary value and help employees meet expenses that they would otherwise have to bear personally. Even when supplied as a facility rather than cash, they are financial incentives because their value can be expressed in money.

Step 5: Conclusion Profit sharing rewards employees from profits; co-partnership gives a stake in ownership; productivity linked incentives reward increased productivity; and perquisites add monetary benefits or facilities to salary.

Quick Tip to Solve: Distinguish the reward bases: profit, shares, productivity and extra facilities; use one clear example when explaining perquisites.

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:

- Principles and Functions of Management, Controlling: controlling ensures that actual performance conforms to planned performance and that organisational goals are achieved efficiently.
- The importance of controlling includes accomplishing organisational goals, judging the accuracy of standards, making efficient use of resources, 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 in an organisation are performed according to the plans and that organisational resources are used effectively and efficiently for achieving predetermined goals. It involves comparing actual performance with standards, finding deviations and taking corrective action. The words "to ensure that the activities were performed as per the plans" identify this function. Nabita "monitored the activities" and discovered that two workers were gossiping and distracting others, thereby identifying the reason for low production.

Step 2: (ii) Five points of importance of controlling

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings to light deviations from plans. Corrective action helps keep activities on the right track so that the organisation can achieve its objectives.
- **Judging accuracy of standards:** A good control system helps management verify whether the standards set are accurate and realistic. By reviewing standards in the light of changes in the organisation and its environment, management can revise them when necessary.
- **Making efficient use of resources:** Controlling requires activities to be performed according to predetermined standards. This reduces wastage and spoilage and helps ensure that human and material resources are used effectively and efficiently.
- **Improving employee motivation:** Clear standards inform employees in advance about the performance expected of them and the basis on which they will be assessed. This gives direction to their efforts and motivates them to perform better.
- **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline by keeping a close check on employees' activities. It helps minimise dishonest or irresponsible behaviour. In this case, monitoring revealed gossiping and distraction that were lowering production.

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

Quick Tip to Solve: Look for comparison with plans, monitoring and correction of deviations to identify controlling in a case.

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

Solution:

Concept:

- Principles and Functions of Management, Organising: informal organisation is the network of social relationships that arises spontaneously from interaction among people at work.
- Informal organisation can support the formal structure through communication and social satisfaction, but its unofficial relationships can also spread rumours, resist change and impose group pressure.

Step 1: Three advantages of informal organisation

- **Faster communication and feedback:** Communication through informal channels is often faster

because it does not have to follow the prescribed lines of authority. It enables information to reach employees quickly and gives management useful feedback about their reactions.

- **Fulfilment of social needs:** Informal organisation allows employees to form friendships and satisfy their social needs. Acceptance by the group gives members a sense of belonging and recognition, which improves their satisfaction at work.
- **Support for organisational objectives:** Informal organisation can compensate for inadequacies in the formal structure. For example, employees may exchange help and information across prescribed channels, enabling work to proceed smoothly and supporting the achievement of organisational objectives.

Step 2: Three limitations of informal organisation

- **Spread of rumours:** Informal communication can carry rumours because information may circulate without verification. Incorrect or distorted information can mislead employees, create uncertainty and work against the interests of the formal organisation.
- **Resistance to change:** An informal group may oppose changes introduced by management when members feel that their interests or relationships are threatened. Such resistance can delay implementation and restrict the growth and progress of the organisation.
- **Pressure to conform to group norms:** The informal group may pressure members to follow its expectations. If these expectations conflict with organisational standards, members may restrict their output or disregard formal requirements, harming organisational interests.

Step 3: Conclusion Informal organisation offers fast communication, social satisfaction and support for formal objectives. Its limitations are the spread of rumours, resistance to change and pressure to conform to group norms.

Quick Tip to Solve: Organise this answer as three benefits followed by three limitations; explain the effect of each on employees or organisational work.

OR

33(b). State any three advantages and any three disadvantages of divisional structure of organization.

[6 marks]

Solution:

Concept:

- Organising: a divisional structure groups activities around products. Each division normally contains the functions needed for its own product and operates as a relatively self-contained unit.
- Divisional performance can be assessed separately, but repeating functional departments across divisions increases the resources needed by the organisation.

Step 1: Three advantages of divisional structure **Development of managerial skills:** A divisional head handles several functions relating to a product, such as production, marketing and finance. This develops varied skills and prepares the manager for higher positions requiring responsibility for the whole business.

Accountability for performance: Revenue and costs relating to a division can be identified separately, so its profit or loss can be determined. The divisional head can therefore be held responsible for results, and management can take suitable corrective action when performance is poor.

Flexibility and initiative: Each division functions as an autonomous unit with authority to make decisions relating to its product. This encourages initiative and permits faster decisions suited to the division's requirements, instead of referring every matter to the top management.

Step 2: Three disadvantages of divisional structure **Conflict over allocation of resources:** Divisional heads may compete for funds, staff and other resources. Each may seek maximum benefit for the division, leading to conflict; a division may even try to maximise its profits at the cost of other divisions.

Increased cost: Similar functional facilities and personnel are duplicated in different divisions. For example, each division may maintain its own marketing or finance department. Such duplication makes the structure costly because economies from sharing these facilities are reduced.

Neglect of organisational interests: Divisional managers with substantial authority may pursue their own divisional interests and overlook the interests of the organisation as a whole. An insistence on divisional independence can make it difficult to coordinate divisions and achieve common objectives.

Step 3: Conclusion Divisional structure develops managerial skills, fixes accountability and promotes flexibility. Its disadvantages include conflict over resources, duplication of costs and the possible neglect of overall organisational interests.

Quick Tip to Solve: Link each advantage to a self-contained product division; link each disadvantage to rivalry, duplication or excessive divisional independence.

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: price determination considers product cost, the utility and demand for the product, and the extent of competition in the market, among other factors.

- Costs establish a price floor for recovering expenditure over time; perceived utility and demand influence what buyers will pay, while competitors' prices help guide the price actually chosen.

Step 1: Product cost **Identification and quotation:** The factor is **product cost**. The case states that they "wanted to cover all costs but also wanted to earn a margin of profit over and above the costs" and that this would set "the minimum level or the floor price".

Explanation: Product cost includes the costs of producing, distributing and selling the product, comprising fixed, variable and semi-variable costs. In the long run, the price must cover the total cost and provide a reasonable profit if the enterprise is to survive. Energylights' substantial expenditure on technology and high-grade materials raised its manufacturing cost, so the company considered these costs while fixing its minimum price.

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

Explanation: Buyers generally purchase a product when they perceive its utility to be at least equal to the value of the money paid. Thus the utility perceived by customers, together with the intensity of demand, influences the maximum acceptable price. Demand elasticity also matters: relatively inelastic demand permits greater freedom to charge a higher price, whereas elastic demand limits it. The energy-efficient lights' usefulness and strong demand therefore influence the upper limit of the price Energylights can charge.

Step 3: Extent of competition in the market **Identification and quotation:** The factor is **extent of competition in the market**. The case says: "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: Between the cost-based floor and the demand-based ceiling, the number of competing firms and the nature of competition influence the price selected. Competitors' prices and the quality and features of their products must be considered. Strong competition generally restricts the freedom to charge high prices. Here, Energylights considered competing prices but charged more because its good quality and distinctive features differentiated the lights and helped justify the premium.

Step 4: Conclusion The three factors are product cost, utility and demand, and extent of competition in the market. They respectively guide the minimum recoverable price, the upper acceptable price and the price chosen in relation to competing products.

Quick Tip to Solve: Match "floor price" to cost, "upper limit" to utility and demand, and references to competitors' prices to the extent of competition.