CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/2/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. 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 utilities that satisfies a buyer's needs.
- The three broad categories of benefits are functional, social and psychological benefits.

Step 1: Identify the missing benefit Functional benefits concern the practical use of a product, while social benefits relate to acceptance or status among other people. Psychological benefits concern personal feelings such as satisfaction, pride or a sense of well-being. These complete the three categories named in the question.

Step 2: Check the alternatives Technological benefits in (A) concern technical features, economic benefits in (B) concern monetary advantages, and environmental benefits in (D) concern environmental effects. None is the third category in the stated NCERT classification.

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

Quick Tip to Solve: Recall the benefit trio: what a product does, its social meaning, and how owning or using it makes the buyer feel.

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

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

[1 mark]

(A) Benefits of specialization

(B) Clarity in working relationships

(C) Optimum utilization of resources

(D) Adaptation to change

Correct Answer: (D) Adaptation to change

Solution:

Concept:

- Organising: importance of organising in enabling adaptation to change.
- A flexible organisational structure accommodates changes in the business environment and supports

a smooth transition.

Step 1: Match the case with the concept The words 'accommodate changes in the business environment' and 'organization structure to be suitably modified' identify adaptation to change. Organising permits structural adjustments so that the enterprise can continue functioning effectively under changed conditions.

Step 2: Rule out the other points Benefits of specialisation in (A) arise from division of work. Clarity in working relationships in (B) defines authority and responsibility. Optimum utilisation of resources in (C) reduces duplication and waste. None of these specifically describes modifying the structure to respond to environmental change.

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

Quick Tip to Solve: In an organising case, link changes in the environment plus modification of structure directly to adaptation to change.

3. '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, a larger amount of money is tied up in current assets even at an unchanged level of operations.

Step 1: Identify the evidence in the case The case says that 'the cost of dates, dry fruits and other ingredients' increased and that more funds were required for 'a constant volume of production and sales'. This is the effect of inflation: purchasing the same quantity of inputs requires more working capital.

Step 2: Check the remaining factors Availability of raw material in (A) concerns procurement and the stock needed to avoid interruptions. Scale of business in (C) concerns the size of operations, which remains constant here. Production cycle in (D) concerns the time taken to convert materials into

finished goods; no longer cycle is stated.

Step 3: Conclusion The factor is inflation. Hence, the correct option is (B).

Quick Tip to Solve: If the production volume stays constant but the money needed for inputs rises, identify inflation rather than scale of business.

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

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

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

[1 mark]

(A) Leadership

(B) Financial Incentives

(C) Motivation

(D) Non-financial Incentives

Correct Answer: (C) Motivation

Solution:

Concept:

- Directing: motivation is the process of stimulating people to act in a desired manner to achieve goals.
- Motivation helps turn an employee's ability into willingness to work effectively.

Step 1: Identify the change in employee behaviour The employees already had the ability to work but were reluctant. Atul had 'insights into the causes of behaviour of people' and knew how to get work done 'in a desired manner'. By making unwilling employees work efficiently and effectively, he used motivation.

Step 2: Distinguish the alternatives Leadership in (A) concerns influencing others towards goals, but the case specifically stresses understanding behaviour and stimulating willingness. Financial incentives in (B), such as pay or bonuses, and non-financial incentives in (D), such as recognition, are possible means of motivation. The case does not specify either type of incentive; it describes the broader process.

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

Quick Tip to Solve: Look for employees who can work but are unwilling: the process that stimulates their willingness is motivation.

5. '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 financial requirements and determines the sources of funds.
- One objective of financial planning is to ensure that sufficient funds are available at the right time.

Step 1: Identify the objective quoted The phrase 'enough funds are available at right time' refers to financial planning. By estimating the amount and timing of financial requirements, an enterprise can arrange funds to honour its commitments and carry out its plans.

Step 2: Check the other concepts Capital structure in (A) is the mix of debt and equity. Financial leverage in (B) concerns the use of debt or fixed financial charges. Investment decision in (D) concerns allocating funds among assets. These do not specifically describe estimating and arranging timely financial availability.

Step 3: Conclusion The quoted objective belongs to financial planning. Hence, the correct option is (C).

Quick Tip to Solve: Associate the amount and timing of funds needed to carry out plans with financial planning.

6. 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: relative cost and risk of debt and equity as sources of finance.
- Lenders receive contractual interest and have a prior claim over equity shareholders; equity holders

bear the residual risk.

Step 1: Judge Statement I Statement I is false. The cost of debt is generally lower than the cost of equity. Lenders bear less risk and therefore require a lower return. In addition, interest is tax-deductible for the company, reducing the effective cost of debt; dividends are paid from after-tax profits.

Step 2: Judge Statement II Statement II is true. Interest and repayment obligations to lenders have priority over returns to equity shareholders. Equity shareholders receive the residual earnings and have the last claim on assets, so their risk is higher.

Step 3: Match the truth combination Option (A) wrongly treats Statement I as true, and (B) wrongly treats Statement II as false. Option (C) reverses both correct judgments. Only (D) combines a false first statement with a true second statement.

Step 4: Conclusion Statement I is false and Statement II is true. Hence, the correct option is (D).

Quick Tip to Solve: Remember the linked pair: lenders face lower risk, so debt normally costs less than equity; interest also gives a tax advantage.

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

(A) Financial planning

(B) Dividend decision

(C) Financing decision

(D) Trading on equity

Correct Answer: (D) Trading on equity

Solution:

Concept:

- Financial Management: trading on equity through the use of fixed financial charges.
- Debt can raise the earnings available per equity share when the return earned on the funds exceeds their cost.

Step 1: Recognise the definition The phrase 'increase in the profit earned by the equity shareholders due to the presence of fixed financial charges like interest' defines trading on equity. After the fixed interest charge is paid, the additional earnings can accrue to the equity shareholders when the return on investment exceeds the cost of debt.

Step 2: Eliminate the other concepts Financial planning in (A) estimates requirements and arranges timely funds. Dividend decision in (B) determines the division of profit between distribution and retention. Financing decision in (C) determines the mix of sources of finance. Trading on equity specifically names the increase in equity earnings described here.

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

Quick Tip to Solve: Use the cue of fixed interest increasing equity shareholders' earnings to recognise trading on equity; the return must exceed the debt cost.

8. 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:

- Management is a dynamic function: managers adapt their decisions and operations to changes in the business environment.
- A change in customer needs calls for suitable changes in the way organisational resources are used.

Step 1: Identify the environmental change Floods closed nearby libraries and study centres shortly before examinations. Students consequently needed alternative places to study. AK Solutions responded by converting conference halls into libraries and study centres. The decisive phrase is 'adapted itself to the needs of the environment'.

Step 2: Match the feature and eliminate alternatives This adjustment demonstrates the dynamic nature of management. Option (A), continuity, refers to the ongoing performance of management functions. Option (B), an intangible force, means that management is felt through its results. Option (D), a group activity, concerns coordinated collective effort. None identifies adaptation to changed surroundings as directly as option (C).

Step 3: Conclusion Management is a dynamic function. Hence, the correct option is (C).

Quick Tip to Solve: Underline the change from conference halls to study centres: adaptation to the environment signals dynamic management.

9. 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:

- Scientific management uses method, motion, time and fatigue studies to improve work efficiency.
- Each technique has a distinct focus: the best method, bodily movements, standard time or rest intervals.

Step 1: Match each technique with its meaning **Method study:** Identifies the one best way of doing a job, so (a) matches (iv).

Motion study: Studies movements such as lifting, putting objects and changing position to eliminate unnecessary movements, so (b) matches (i).

Time study: Determines 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: Compare the printed sequences The sequence in the order (a), (b), (c), (d) is (iv), (i), (iii), (ii), which appears in option (C). Option (A) assigns rest intervals to method study; option (B) assigns bodily movements to method study; and option (D) assigns standard time to method study. Each therefore begins with an incorrect match.

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

Quick Tip to Solve: Match the keywords first: best way–method; movements–motion; standard time–time; rest–fatigue.

10. 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 is futuristic: it involves looking ahead and making decisions in advance for the future.
- Planning prepares an organisation to deal effectively with anticipated future events.

Step 1: Judge Assertion (A) Assertion (A) is true. Planning requires managers to anticipate future situations, decide objectives and determine in advance the actions needed to achieve them. Thus, it involves looking ahead and preparing for the future.

Step 2: Judge Reason (R) Reason (R) is also true. The purpose of such advance preparation is to meet future events effectively to the best advantage of the organisation. Forecasting and deciding a course of action help managers prepare for the circumstances they expect.

Step 3: Check the explanatory link and alternatives Reason (R) explains why planning looks ahead: effective handling of future events requires preparation in advance. Therefore, option (A) applies. Option (B) wrongly denies the explanatory link; option (C) wrongly treats the reason as false; and option (D) wrongly treats the assertion as false.

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

Quick Tip to Solve: For this pair, link the future focus of planning to its purpose of meeting future events effectively.

11. 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, principally through transfers and promotions.
- An employer already knows the abilities and performance of existing employees, which simplifies selection.

Step 1: Explain the benefit of internal recruitment The organisation has records of the performance, experience and capabilities of its existing employees. It can use this information when considering a transfer or promotion. Selection is therefore simpler than when applicants are entirely new to the organisation.

Step 2: Reject the other statements Option (B), a wider choice, is a benefit of external recruitment because it reaches candidates beyond the existing workforce. Option (C), bringing new blood, also describes external recruitment. Option (D) is neither the stated benefit nor a correct general description of internal recruitment, which usually saves recruitment time and expense.

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

Quick Tip to Solve: When candidates are already employees, use known performance records to identify the simplification of selection.

12. 'Answerability for outcome of the assigned task' is called :

[1 mark]

(A) Decentralization

(B) Authority

(C) Responsibility

(D) Accountability

Correct Answer: (D) Accountability

Solution:

Concept:

- Delegation involves authority, responsibility and accountability.
- Accountability is answerability for the final outcome of an assigned task and cannot be delegated.

Step 1: Identify the definition An employee who is assigned a task must explain its final result to the

superior. This obligation to answer for the outcome is accountability. The words answerability for outcome identify the concept directly.

Step 2: Distinguish the related terms Option (B), authority, is the right to give orders and obtain obedience. Option (C), responsibility, is the obligation to perform the assigned task. Option (A), decentralisation, is the systematic delegation of authority throughout an organisation. These terms concern decision rights, the duty to work, and the distribution of authority respectively; none means answerability for the result.

Step 3: Conclusion Answerability for the outcome of an assigned task is accountability. Hence, the correct option is (D).

Quick Tip to Solve: Separate the three terms: authority permits action, responsibility requires performance, accountability requires an explanation of results.

13. 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 is continuous because an organisation must repeatedly meet changing personnel needs.

Step 1: Assess Statement I Statement I is true. Staffing deals with human resources: obtaining suitable people, utilising their capabilities and maintaining a workforce that is both satisfied with its employment and satisfactory in its performance. It places the right people in appropriate jobs.

Step 2: Assess Statement II and the alternatives Statement II is true. Recruitment, selection, training, development and appraisal recur throughout organisational life. Expansion, retirements and employee turnover create continuing staffing needs. Therefore, option (A) is correct. Option (B) wrongly rejects both true statements; option (C) wrongly denies continuity; and option (D) wrongly denies the meaning of staffing.

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

Quick Tip to Solve: Read both claims separately: the first defines staffing, while the second describes its ongoing nature.

14. 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:

- A dividend decision determines the division of earnings between dividends and retained profits.
- Growth opportunities increase the need to retain earnings to finance expansion and investment.

Step 1: Link the case to the factor CVX Ltd. plans new products and entry into emerging overseas markets. The case states that entering these markets 'will require additional capital investment'. Retaining earnings provides funds for this production and distribution investment, so the factor is growth opportunities.

Step 2: Distinguish the other factors Option (A), amount of earnings, concerns how much profit is available for distribution. Option (B), stability of earnings, concerns the predictability of profits. Option (C), stability of dividends, concerns maintaining a consistent dividend level. Although the company had good profits and high dividends, the stated reason for reducing dividends is to finance expansion, which is option (D).

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

Quick Tip to Solve: When dividends fall because new products or new markets require investment, identify growth opportunities as the factor.

15. 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: importance of directing in facilitating the introduction of needed changes in an organisation.
- Leadership, motivation and effective communication help employees understand and accept organisational change.

Step 1: Judge the assertion Assertion (A) is true. Directing facilitates the introduction of needed changes by guiding employees, explaining the purpose of change and motivating them to cooperate. Employees are more willing to accept a new method when its benefits are communicated and their doubts are addressed.

Step 2: Judge the reason Reason (R) is false. Directing helps to reduce resistance to change; it does not increase resistance. Through leadership and communication, managers develop cooperation and confidence among employees.

Step 3: Check the explanatory relationship A false reason cannot correctly explain a true assertion. Options (A) and (D) incorrectly treat the reason as true, while option (C) incorrectly treats the assertion as false. The combination required here is a true assertion and a false reason.

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

Quick Tip to Solve: For this assertion-reason pair, replace "increases resistance mentally with "reduces resistance to spot the false reason.

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

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

(A) Strategy

(B) Policy

(C) Programme

(D) Budget

Correct Answer: (D) Budget

Solution:

Concept:

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

Step 1: Identify the numerical plan Kavi forecasts the monthly sales of stationery products for each school. The decisive phrase is "All items are represented in numbers. This makes the plan a budget, specifically a sales budget. A budget need not be expressed only in money; quantities of units sold can also be budgeted.

Step 2: Eliminate the other types of plan A strategy is a comprehensive plan for achieving organisational objectives in a competitive environment. A policy is a general guideline for decision-making. A programme combines objectives, policies, procedures, rules, tasks and resources for an activity. None is identified merely by a numerical forecast of expected sales. The comparison of actual sales with expected sales further supports a budget.

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

Quick Tip to Solve: Look for expected results expressed in numbers: monthly quantities of stationery are enough to identify a sales budget.

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

(A) Management

(B) Organising

(C) Staffing

(D) Directing

Correct Answer: (A) Management

Solution:

Concept:

- Nature and Significance of Management: management coordinates individual efforts towards organisational goals.
- Management creates and maintains an environment in which people working together can accomplish selected aims efficiently.

Step 1: Recognise the definition The statement describes management. Its focus is on "designing and maintaining an environment where people work together and "efficiently accomplish selected aims. It concerns the overall process of getting work done through coordinated group effort, rather than one particular managerial function.

Step 2: Distinguish the individual functions Organising establishes roles, authority and relationships and allocates resources. Staffing obtains and develops the right people for organisational positions. Directing guides, motivates, leads and communicates with employees. These are functions within management; each is narrower than the complete process defined in the question.

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

Quick Tip to Solve: When a definition combines group effort, an enabling environment and efficient achievement of aims, identify management as the whole process.

18. 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 arise from organisational policies, rules, procedures, structure and facilities.
- Rigid rules and cumbersome procedures can delay the transmission of information and the approval of proposals.

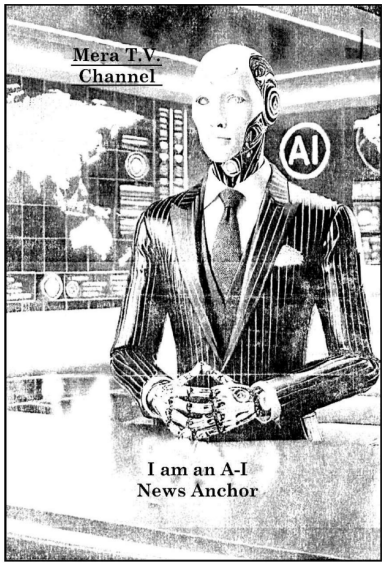
Step 1: Link the case to the barrier The decisive words are "due to rigid rules and cumbersome procedures there was delay in getting sanction. The delay arose from the organisation's formal procedures for obtaining approval from the General Manager. Therefore, the barrier is organisational. It prevented Nimesh from securing timely permission to buy the discounted copper.

Step 2: Rule out other barriers A semantic barrier involves problems with language, symbols or meaning; no misunderstanding of the letter is stated. A psychological barrier arises from states such as distrust, inattention or premature evaluation; none is given. A personal barrier concerns attitudes or fears of the sender or receiver, such as fear of authority or unwillingness to communicate. The case instead explicitly identifies rigid organisational procedures as the cause.

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

Quick Tip to Solve: Underline the stated cause of the delay: rigid rules and cumbersome approval procedures identify an organisational barrier.

19. 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: The technological dimension includes scientific improvements and innovations that create new methods of production or new ways of providing goods and services.
- Artificial intelligence is a technological development that can change how services such as television news presentation are delivered.

Step 1: Identify the clue in the picture The picture labels the presenter "I am an A-I News Anchor". Using artificial intelligence to present news is an application of scientific and technological innovation in the broadcasting business. It illustrates a change in the method of providing a service.

Step 2: Compare the other dimensions Option (A), social, concerns customs, values and social trends; the picture does not emphasise these. Option (B), political, concerns political conditions and the government's attitude towards business, which are not shown. Option (D), economic, concerns factors such as income, interest rates and inflation; no such factor is illustrated. The explicit clue is the use of artificial intelligence.

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

Quick Tip to Solve: When an AI-based device or service is the main clue, connect it with scientific innovation and select the technological dimension.

For Visually Impaired Candidates :

19. 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 consists of scientific improvements and innovations that provide new ways to produce goods or perform tasks.
- Technological change can make older products less attractive and shift demand towards improved substitutes.

Step 1: Find the common feature in the examples The shifts "from steam locomotives to electric engines", "from fountain pens to ball-point pens" and "from typewriters to computer based word processors" all involve replacing an older technology with a newer method or product. They illustrate how technological improvements influence the demand faced by businesses.

Step 2: Rule out the other dimensions Option (A), economic, concerns conditions such as income, interest rates and inflation; mentioning demand alone does not make these examples economic. The reason for the shifts is technological innovation. Option (C), political, concerns political conditions and government attitudes, which the examples do not describe. Option (D), social, concerns customs, values and social trends, rather than the specific technical replacements listed here.

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

Quick Tip to Solve: Identify what causes a demand shift: replacement of an older device by an improved invention points to the technological dimension.

20. 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 redressal machinery consists of the District Commission, State Commission and National Commission.
- In the textbook appeal hierarchy, an aggrieved party 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: Identify the correct appeal route For the redressal hierarchy tested in this question, a consumer dissatisfied with an order of the National Commission may appeal before the Supreme Court. This is the route stated in option (D). The Supreme Court is the appellate destination above the National Commission in this hierarchy.

Step 2: Check the incorrect routes Option (A) skips the State Commission by taking a District Commission order directly to the National Commission. Option (B) skips both the State and National Commissions by moving directly from the District Commission to the Supreme Court. Option (C) skips the National Commission by moving directly from the State Commission to the Supreme Court. These do not describe the ordinary successive appeal route taught under consumer protection.

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

Quick Tip to Solve: Recall the successive appeal ladder: District Commission, State Commission, National Commission, then Supreme Court.

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

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

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

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

Solution:

Concept:

- Directing: communication is the process of exchange of information between two or more persons to reach common understanding.
- The communication process includes a sender, a message, encoding, media, decoding, a receiver, feedback and noise. The question asks for its first five elements.

Step 1: Identify the concept in part (i) The concept is **communication**. The case states that there was "no proper exchange of facts, ideas and views" between Vicky and the employees. It also says he could not "foster a common understanding of the product". These phrases indicate a failure of communication: the employees did not understand the kits' benefits sufficiently to explain their value to clients. Merely having a high-quality product does not ensure that its features are understood.

Step 2: State the first five elements for part (ii)

- **Sender:** The person who conveys thoughts or ideas to the receiver and initiates communication.
- **Message:** The content of the ideas, feelings, suggestions or information intended to be communicated.
- **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 to the receiver, such as a face-to-face conversation or a written message.
- **Decoding:** The process of converting the encoded symbols received into an understandable form.

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

Quick Tip to Solve: Link "exchange" and "common understanding" to communication; distinguish encoding into symbols from decoding those symbols into meaning.

22. 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: consumers have responsibilities as well as rights. Responsible buying includes informed choice, insistence on quality and proper evidence of purchase.
- The answer must state responsibilities other than those already demonstrated by Aman: comparing products, checking the standardisation mark and following safety instructions.

Step 1: Separate the actions already described Aman compared "features, price, after-sale-service and customer reviews", so he was an informed consumer. He checked for an "ISI mark", showing attention to standardised quality, and followed the manufacturer's instructions for safe installation and use. Repeating these would not answer the request for other consumer responsibilities.

Step 2: State any three other responsibilities

- **Insist on a cash memo:** Ask for and retain the cash memo or bill for the oven. It is proof of purchase and is needed for a complaint or claim when the goods or service are defective.
- **Be honest in dealings:** Deal honestly with the seller and choose only legal goods and services. Discourage unscrupulous practices such as black marketing and hoarding instead of supporting them for personal advantage.
- **File a genuine complaint:** If a defect in the quality of the goods or a deficiency in service is actually found, complain to the appropriate forum rather than remaining silent, even when the amount involved is small.

These are additional textbook responsibilities not demonstrated in the narrative. Filing a complaint is conditional on a genuine defect or deficiency; the case does not establish that his oven is defective.

Step 3: Conclusion Three other responsibilities are to insist on a cash memo, remain honest in dealings and file a complaint when there is a genuine defect or deficiency.

Quick Tip to Solve: First cross out the responsibilities already shown in the case, then choose three others from the textbook list; do not invent a defect in Aman's oven.

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

(i) Liquidity

(ii) Safety

(iii) Expected Return [3 marks]

Solution:

Concept:

- Financial Markets: the capital market deals in medium- and long-term funds, whereas the money market deals in short-term funds with maturities up to one year.
- NCERT compares the two markets by the liquidity, safety and expected return of their instruments. These are general market characteristics rather than guarantees for every security.

Step 1: Relate the comparison to the nature of the instruments Capital-market instruments, such as shares and debentures, involve longer investment periods and greater exposure to changes in financial performance and market prices. Money-market instruments, such as Treasury bills and commercial paper, have short maturities. Their shorter duration and the generally strong credit standing of issuers help explain the differences below.

Step 2: Differentiate on the three stated bases

Basis	Capital Market	Money Market
(i) Liquidity	Instruments are liquid, especially when listed on a stock exchange, but are comparatively less liquid than money-market instruments.	Instruments are highly liquid, with short maturities and arrangements that facilitate their conversion into cash.
(ii) Safety	Instruments are generally riskier because of longer maturity and exposure to changes in issuer performance and market conditions.	Instruments are comparatively safer because funds are committed for shorter periods and issuers generally have a strong credit standing.
(iii) Expected return	Expected returns are generally higher, reflecting the possibility of earnings and capital gains and the greater risk borne by investors.	Expected returns are generally lower because of the shorter duration and comparatively lower risk of the instruments.

Step 3: Conclusion Relative to the capital market, the money market offers greater liquidity and safety but generally lower expected returns. Higher expected return in the capital market does not mean a guaranteed higher realised return.

Quick Tip to Solve: Use one comparison row for each named basis: money market means higher liquidity and safety; capital market means higher expected return.

OR

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

Solution:

Concept:

- Financial Markets: SEBI protects investors' interests and promotes fair dealings in the securities market through its protective functions.
- Protective functions prevent practices that mislead investors or give certain market participants an unfair advantage. They differ from SEBI's developmental role of training intermediaries.

Step 1: State the first protective function

- **Prohibiting fraudulent and unfair trade practices:** SEBI prohibits practices such as price rigging, where prices are manipulated rather than determined fairly by demand and supply. This protects investors from buying or selling on the basis of misleading market prices.

Step 2: State the other two protective functions

- **Controlling insider trading:** SEBI controls trading by insiders, such as directors and other persons who possess unpublished price-sensitive information about a company. Preventing the misuse of such information protects ordinary investors who do not have access to it.
- **Undertaking investor education:** SEBI educates investors about securities, their rights and the risks associated with investment. Better awareness helps investors make informed decisions and avoid being misled by unscrupulous operators.

Step 3: Conclusion Three protective functions of SEBI are prohibiting fraudulent and unfair trade practices, controlling insider trading, and undertaking investor education.

Quick Tip to Solve: Remember protection through three investor safeguards: fair prices, no insider advantage, and informed investment decisions.

24(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 secondary market where existing securities are bought and sold under prescribed rules.
- Its functions make securities easier to trade, help discover market prices and provide safeguards for investors' transactions.

Step 1: Explain liquidity and marketability

- **Providing liquidity and marketability to existing securities:** A stock exchange provides a continuous market in which existing securities can be bought and sold. An investor needing money

can sell securities and convert the investment into cash. Thus, an investor can withdraw from an investment without withdrawing funds from the company itself. The availability of ready buyers and sellers makes securities marketable.

Step 2: Explain price discovery and transaction safety

- **Pricing of securities:** Prices are determined by the forces of demand and supply in the stock exchange. Trading brings together buyers' and sellers' assessments of a company's prospects. The resulting prices provide information that helps investors assess the value of their investments and decide whether to buy, hold or sell securities.
- **Safety of transaction:** Membership of the exchange is regulated, and dealings must follow its prescribed rules and regulations within the legal framework. These safeguards promote fair trading and protect the investing public. Safety of the transaction does not mean a guarantee against a fall in the market value of an investment.

Step 3: Conclusion A stock exchange offers a ready resale market, determines security prices through demand and supply, and promotes safe and fair transactions through regulated dealings.

Quick Tip to Solve: Link each function to a different investor need: access to cash, a market price, and fair trading procedures.

OR

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

Solution:

Concept:

- Financial Markets: the primary market deals with new securities, whereas the secondary market deals with securities that have already been issued.
- Both are parts of the capital market. The primary market mobilises funds for issuers, while the secondary market makes existing investments marketable.

Step 1: Select comparable bases of distinction Compare the two markets on the same bases: the nature of securities traded, the parties to the transaction, and the flow of funds. An issue by a company and a later resale by an investor are different transactions even when they concern shares of the same company.

Step 2: Present three differences

Basis	Primary Market	Secondary Market
Nature of securities	Deals in new securities issued for the first time; hence it is also called the new issue market.	Deals in the purchase and sale of existing securities that have already been issued.
Parties involved	Securities are sold by the issuing company to investors, directly or through intermediaries.	Existing securities are bought and sold among investors; the issuing company is not the seller in this resale.
Flow of funds	The issuing company receives the proceeds, so funds flow from investors to the company for capital formation.	The selling investor receives the proceeds. The resale does not provide fresh funds to the issuing company.

Step 3: Conclusion The primary market raises fresh funds through new issues; the secondary market transfers existing securities between investors and provides liquidity to their investments.

Quick Tip to Solve: Ask who receives the money: the company receives new-issue proceeds, while the selling investor receives resale proceeds.

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

(i) Equity

(ii) Initiative [4 marks]

Solution:

Concept:

- Principles of Management: Fayol's principle of equity concerns fair and impartial treatment of employees.
- Fayol's principle of initiative encourages employees to think out plans and take the first steps to implement them within organisational rules.

Step 1: Explain equity **(i) Equity:** Managers should treat employees with kindness and justice. They should be fair and impartial in dealing with subordinates and should not discriminate on grounds such as religion, language, caste, nationality or sex. Every employee deserves respect and fair treatment, which helps secure loyalty and devotion to the organisation. Equity does not mean that a manager must always be lenient: justified strictness and corrective action may be necessary to maintain discipline. For example, employees performing comparable work under similar conditions should be assessed by the same fair performance standards, rather than by a manager's personal likes or dislikes.

Step 2: Explain initiative **(ii) Initiative:** Employees should be encouraged to develop and carry out plans for improvement. Initiative means taking the first step with self-motivation: thinking out a plan and making efforts to execute it. Managers should welcome constructive suggestions and give employees opportunities to contribute ideas within the established rules and authority of the organisation. A suggestion system can encourage this participation; a useful suggestion that substantially reduces costs or saves time should be rewarded. This develops employees' confidence, enthusiasm and sense of involvement. Initiative, however, does not permit an employee to disregard organisational practices or rules in the name of acting independently.

Step 3: Conclusion Equity requires kind, just and impartial treatment; initiative requires encouraging employees to propose and implement useful plans within organisational rules. Both help secure willing employee cooperation.

Quick Tip to Solve: Link equity with kindness and justice, and initiative with thinking out and executing plans; mention that both operate alongside organisational discipline.

OR

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

(i) Meeting changing environment requirements

(ii) Management training, education and research [4 marks]

Solution:

Concept:

- Principles of Management: management principles are flexible general guidelines that help managers respond to changes in their business environment.
- Their systematic body of knowledge also provides a basis for management training, education and research.

Step 1: Explain adaptation to a changing environment **(i) Meeting changing environment requirements:** Principles of management help managers meet the changing requirements of the business environment. They are flexible guidelines rather than rigid rules; managers can modify their application to suit the situation. Therefore, changes in technology, market conditions and employee expectations can be accommodated while pursuing organisational objectives. For example, the principle of division of work stresses specialisation, but modern application may extend beyond assigning specialised work within a firm to outsourcing specialised activities to other organisations. Thus, an established principle remains useful when its application is adapted thoughtfully to new circumstances.

Step 2: Explain their contribution to learning and investigation **(ii) Management training, education and research:** Management principles form the core of management theory and provide a systematic body of knowledge for teaching and training managers. Learners can study these principles and apply them through cases and practical exercises, instead of relying entirely on personal trial and error. For example, unity of command helps a trainee understand why conflicting instructions from different superiors can create confusion. Principles also provide a foundation for research: researchers can examine their usefulness in different situations, test existing practices and develop improved management techniques. Research and experience therefore enrich management knowledge, while training and education prepare managers to apply that knowledge with judgement.

Step 3: Conclusion Management principles enable managers to adapt their practices to a changing environment and supply the knowledge base for management education, training and further research.

Quick Tip to Solve: For the first point, stress flexible application to change; for the second, connect a systematic knowledge base with training, teaching and research.

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

(i) Co-ordination is an all pervasive function.

(ii) Co-ordination is a deliberate function. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: coordination integrates the efforts of individuals and departments to achieve common organisational objectives.
- Coordination is the essence of management: it binds together the activities of different units and creates unity of action.

Step 1: (i) Coordination is an all pervasive function **Required at every level:** Coordination is necessary at all levels of management because activities at each level are interdependent. Top management coordinates the organisation's overall plans; middle management coordinates departmental activities; and supervisory management coordinates the work of employees.

Required across departments: Every department must work towards the common organisational objective. Production, finance, marketing and other departments cannot work in isolation. For example, production must match sales requirements, while finance must arrange the funds needed for production. Coordination integrates these different activities and prevents conflicting efforts.

Step 2: (ii) Coordination is a deliberate function **Conscious managerial effort:** A manager must coordinate the efforts of different people in a conscious and deliberate manner. Coordination does not arise automatically merely because people work in the same organisation. Managers establish common goals, communicate plans and integrate individual and departmental activities.

Cooperation needs direction: Even when employees willingly cooperate, their efforts may proceed in different directions without coordination. Coordination gives their cooperation a common direction. At the same time, coordination without cooperation may create dissatisfaction among employees; therefore, managers must secure both to achieve unity of action.

Step 3: Conclusion Coordination is all pervasive because it is needed at every management level and in every department. It is deliberate because managers consciously integrate people's efforts towards common organisational goals.

Quick Tip to Solve: Link "all pervasive" to every level and department, and "deliberate" to conscious managerial effort rather than automatic cooperation.

OR

26(b). 'Management is multidimensional' is one of the features of management. Explain its following dimensions :

(i) Management of work.

(ii) Management of people. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: management is multidimensional because it involves managing work, people and operations.
- Management converts organisational goals into work to be performed and directs people so that their individual efforts contribute to these goals.

Step 1: (i) Management of work **Translating goals into work:** Every organisation exists to perform some work. For example, a factory manufactures products, a hospital treats patients, and a school provides education. Management translates this work into the goals to be achieved and assigns the means of achieving them. Thus, it determines what must be done and how resources will be used to accomplish it.

Getting work accomplished: Management deals with problems that arise in carrying out this work. It makes decisions, solves problems, establishes responsibilities and work relationships, and deals with the organisation's environment. These activities enable the organisation to complete its work efficiently and effectively.

Step 2: (ii) Management of people **People as individuals:** Human resources are an organisation's greatest asset. Management deals with employees as individuals who have diverse needs and behaviour. It recognises these differences and uses their strengths while helping to overcome their weaknesses.

People as a group: Management also deals with people as members of groups. Its task is to make their individual strengths effective in achieving common goals and to make their weaknesses irrelevant to organisational performance. It directs their efforts, encourages teamwork and enables people to work together towards the organisation's objectives.

Step 3: Conclusion Management of work specifies and accomplishes the tasks necessary to achieve organisational goals. Management of people directs individuals and groups so that their abilities contribute effectively to those goals.

Quick Tip to Solve: For work, explain goals and the means of achieving them; for people, explain both individual needs and collective effort towards common goals.

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

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

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

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

Solution:

Concept:

- Marketing Management: Promotion is the element of the marketing mix concerned with communicating with customers to inform and persuade them about a firm's products or services.
- The promotion mix includes advertising, personal selling, sales promotion and public relations. A case may illustrate more than one of these tools.

Step 1: (i) Identify and explain the marketing-mix element **Promotion:** Promotion refers to the use of communication to inform potential customers about a product or service and persuade them to buy it. It creates awareness, stimulates interest and helps customers decide to purchase. Here, the gym communicates its services through an attractive poster and offers incentives that persuade Anika to enrol in the weight loss programme.

Step 2: (ii) Identify and explain advertising **Advertising:** The clue is that Anika "saw an attractive poster of a gym which was near her house." Advertising is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The gym's poster communicates information about its service to potential customers without a face-to-face sales conversation. It attracts Anika's attention and makes her curious to enquire about the programme.

Step 3: (ii) Identify and explain sales promotion **Sales promotion:** The gym offers a "50% discount on the fee", a "free coach facility and free protein diet", and states that the offers are "valid only for 10 days." Sales promotion means short-term incentives designed to encourage customers to make an immediate purchase. The discount reduces the fee, while the free services and diet add benefits. The limited period creates urgency and induces Anika to submit the fee immediately. These incentives are distinct from the poster that first made her aware of the gym.

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

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

28. 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 to different assets. A long-term investment decision is also called a capital budgeting decision.
- Capital budgeting decisions involve substantial funds, affect long-term earning capacity and risk, and are often difficult or costly to reverse. Expected cash flows, the rate of return and investment criteria guide them.

Step 1: (i) Identify and state the financial decision **Long-term investment decision or capital budgeting decision:** This is the decision to invest the firm's funds in long-term assets or projects that will yield benefits over several years. Langar plans to "import machines with advanced technology", each costing "Rs. 12 crores", to support expansion into different cities. Buying these machines allocates funds to fixed assets and determines future productive capacity. The large expenditure and the statement that the decision "once taken is irreversible" are further clues. This identifies the use of funds; the case is not asking how the money will be raised.

Step 2: (ii) First factor: cash flows of the project **Cash flows of the project:** An investment is expected to generate a series of cash receipts and payments throughout its life. The amount, timing and reliability of these cash flows must be estimated and analysed before committing funds. Langar should compare the initial expenditure on the machines and subsequent operating payments with the expected cash receipts associated with the expanded business. Accounting profit alone is insufficient because cash must be available when payments fall due. More favourable expected net cash flows make an investment more attractive, other things remaining the same.

Step 3: (ii) Second factor: rate of return **Rate of return:** The expected return from an investment is an important criterion for choosing a project. The firm should assess the return expected from the proposed investment and compare it with its required return and the returns of alternative projects, considering their risk. Langar should estimate whether the future benefits from the advanced machines justify their substantial cost. A project offering a higher acceptable return is generally preferred, other relevant factors remaining the same. High cost or advanced technology alone does not establish that the investment is worthwhile.

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

Quick Tip to Solve: Machines, expansion, large initial expenditure and irreversibility point to capital budgeting. Explain expected cash flows and return as decision factors, rather than repeating these identifying features.

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

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

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

Solution:

Concept:

- Planning: importance of planning in providing direction and reducing overlapping and wasteful activities.
- Planning states in advance what is to be done and how it is to be done, guiding individual efforts towards common objectives.

Step 1: Planning provides directions **Identification and evidence:** Planning provides directions. The case states that the goals are "clearly stated for each and every teacher" and guide "what action should be taken and in which direction".

Explanation: By stating in advance how work is to be done, planning provides direction for action. Objectives act as a guide for deciding the action to be taken. When teachers know what the school seeks to achieve and what each must do, they can work towards the common goals of supporting the specially abled students. Clear goals and teaching methods give their work a definite purpose.

Step 2: Planning reduces overlapping and wasteful activities **Identification and evidence:** Planning reduces overlapping and wasteful activities. 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".

Explanation: Planning coordinates the activities and efforts of different individuals and departments. It helps avoid confusion and misunderstanding by clarifying what each person has to do. This makes it easier to identify unnecessary or duplicated work and to avoid wasteful activities. In this case, teachers of different subjects can align their efforts instead of working without coordination, making their teaching and support more purposeful.

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

Quick Tip to Solve: Link clear goals and direction to providing directions; link coordination and clarity to reducing overlapping and wasteful activities.

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

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

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

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

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

Solution:

Concept:

- Nature and Significance of Management: effectiveness means achieving the desired objectives; efficiency means completing work with minimum resources and cost.
- Successful management combines achievement of the target with economical use of resources; neither result alone is sufficient.

Step 1: (i) Identify the concepts for the three groups **Group I – both effective and efficient:** It met the target by "refurbishing 150 old dresses at a cost of Rs. 30 per dress". It completed the required quantity within the fortnight and kept the cost within the prescribed level. Therefore, it achieved the objective while using resources economically.

Group II – effective but not efficient: It refurbished "150 old dresses at a cost of Rs. 35 per dress". Completing 150 dresses within the fortnight made it effective. However, the cost exceeded the prescribed Rs. 30 per dress, so it was not efficient.

Group III – efficient but not effective: It refurbished "only 140 old dresses but at a cost of Rs. 27 per dress". Its cost per dress was lower than the prescribed Rs. 30, showing efficiency in the use of resources. However, it fell short of the target of 150 dresses within the fortnight, so it was not effective.

Step 2: (ii) Explain effectiveness and efficiency **Effectiveness:** Effectiveness is concerned with doing the right task, completing activities and achieving the stated goals. Here, it means completing the target of 150 refurbished dresses within a fortnight.

Efficiency: Efficiency means doing the task correctly and with minimum cost, using the least possible resources to obtain the required output. Here, the cost benchmark is Rs. 30 per dress; controlling the

resources used per dress indicates efficiency.

Step 3: (ii) Explain their importance for management **Both are important:** Management must achieve goals effectively and efficiently. Merely reaching the target at excessive cost wastes resources, as Group II's results show. Conversely, reducing cost without completing the required work leaves organisational objectives unmet, as Group III's results show. Management should balance the two so that it achieves the desired results with minimum resources. Group I illustrates this balance by meeting both the output target and the cost limit.

Step 4: Conclusion Group I is both effective and efficient; Group II is effective but not efficient; Group III is efficient but not effective. **Both effectiveness and efficiency are important** for successful management.

Quick Tip to Solve: Check the quantity and deadline for effectiveness, then compare the cost per dress with Rs. 30 for efficiency.

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

(i) Placement and Orientation

(ii) Training and Development

(iii) Performance Appraisal

(iv) Promotion and Career Planning [6 marks]

Solution:

Concept:

- Staffing concerns obtaining, utilising and maintaining a competent workforce. After selection, employees must be placed, introduced to the organisation and equipped to perform their duties.
- Staffing is a continuing process: employee performance is assessed and opportunities for advancement are planned so that individual growth supports organisational needs.

Step 1: (i) Placement and orientation **Placement:** Placement means assigning the selected candidate to the specific job or post for which the person has been selected. It involves putting the right person on the right job, with duties and responsibilities suited to the appointment.

Orientation: Orientation introduces the new employee to the organisation and to other employees. The employee becomes familiar with the workplace, rules, policies, reporting relationships and work environment. This helps the newcomer settle down and begin working effectively.

Step 2: (ii) Training and development **Training:** Training improves an employee's knowledge and skills for performing the present job. It helps employees learn the required methods, reduce errors and carry out their duties more efficiently.

Development: Development promotes the employee's overall growth and prepares the person for future responsibilities. By offering opportunities to acquire new knowledge and abilities, the organisation keeps its workforce competent as jobs and technology change.

Step 3: (iii) Performance appraisal **Assessment against standards:** Performance appraisal means evaluating an employee's current or past performance against predetermined standards. These

standards must be communicated so that employees know what is expected of them.

Feedback and improvement: The appraisal process gives the employee feedback about actual performance. It identifies strengths and areas requiring improvement and helps determine training needs and future personnel decisions.

Step 4: (iv) Promotion and career planning **Promotion:** Promotion means movement to a higher position carrying greater responsibilities, status and usually higher pay. Organisations must provide opportunities for employees to advance to such positions.

Career planning: Career planning provides a path for an employee's growth within the organisation. Managers should recognise employees' career aspirations and offer suitable learning and advancement opportunities. This encourages employees to realise their potential and contribute more effectively.

Step 5: Conclusion Placement and orientation help employees enter their roles; training and development build their capabilities; appraisal evaluates their work; and promotion and career planning provide opportunities for advancement.

Quick Tip to Solve: Link the four steps to joining, learning, reviewing performance and growing; distinguish placement from orientation and training from development.

OR

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

(i) Career Advancement Opportunity

(ii) Employee Recognition Programmes

(iii) Job Security

(iv) Employee Empowerment [6 marks]

Solution:

Concept:

- Non-financial incentives satisfy psychological, social and higher-level needs, including recognition, security, growth and responsibility.
- These incentives supplement financial rewards and must suit employees' needs.

Step 1: (i) Career advancement opportunity **Opportunity for growth:** Managers should provide employees with opportunities to improve their skills and move to higher positions. Training and development prepare them for greater responsibilities.

Motivational effect: Sound promotion policies and clear advancement opportunities make employees feel that sustained effort can lead to progress in the organisation. This satisfies their need for growth and encourages them to improve their performance.

Step 2: (ii) Employee recognition programmes **Acknowledging contributions:** Recognition means acknowledging and appreciating an employee's work. Recognition makes employees feel that their contribution is valued.

Forms and effect: Recognition may take the form of congratulating an employee, awarding a

certificate or memento, displaying achievements on a notice board, or appreciating good performance in a meeting. Timely, specific recognition reinforces desirable behaviour.

Step 3: (iii) Job security **Stability of employment:** Employees want their jobs to be secure and their future income to be reasonably stable. Continuity in employment reduces anxiety about job loss and builds confidence.

Motivational effect: Security encourages employees to identify with the organisation and devote attention to their duties. However, managers should combine security with performance expectations, since excessive security may sometimes create complacency.

Step 4: (iv) Employee empowerment **Greater authority and autonomy:** Empowerment means giving employees more authority and freedom to make decisions relating to their work. They exercise judgement and accept responsibility for results.

Motivational effect: When employees feel that their jobs matter and that their decisions have value, their confidence and commitment increase. Meaningful responsibility helps them use their capabilities for organisational objectives.

Step 5: Conclusion Career advancement offers growth, recognition gives appreciation, job security provides stability, and empowerment gives decision-making authority and responsibility.

Quick Tip to Solve: Associate the four incentives with growth, appreciation, stability and decision-making freedom; explain how each need motivates better work.

32. 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 requires consideration of product cost, the utility and demand of the product, and the extent of competition in the market.
- Each factor must be linked to evidence from the case. Cost indicates the lower limit, while customers' perception of utility and demand helps determine the upper limit of price.

Step 1: Product cost **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." It also says that investment in technology and high-grade materials "pushed up their cost of manufacturing." Product cost includes the costs of producing, distributing and selling the product. In the long run, the price should cover the total cost and provide a reasonable profit if the business is to continue. Thus, cost is an important basis for determining the minimum or floor price. Energylights must take account of the substantial technology and material expenditure when deciding the price of its LED lights.

Step 2: The utility and demand **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." Buyers compare the usefulness or benefits they expect from a product with the money they must pay for it. Their willingness to buy therefore limits the price that a seller can charge. The demand for the product and its price elasticity also affect the firm's freedom to fix price: less elastic demand generally permits a higher price, whereas elastic demand limits it. In this case, the energy efficiency and useful features, together with the stated high demand, support a higher price within what buyers are willing to pay.

Step 3: Extent of competition in the market **Extent of competition in the market:** The case states: "Though there was enough competition in LED lights business, even then they kept the price of their lights higher than the competitors because of good quality and its features." The prices and quality of competing products are important reference points in price determination. Intense competition normally restricts the price a firm can charge because buyers have alternative suppliers. However, a product with distinctive quality and features can command a price above competing products when customers value those differences. Ravi and Megha considered competitors' offerings but used their lights' superior quality and distinctive features to justify their higher price.

Step 4: Conclusion The three factors are **product cost**, **the utility and demand**, and **the extent of competition in the market**. Each is directly supported by the quoted case evidence.

Quick Tip to Solve: For a case asking for any three pricing factors, write three separate headings and attach one exact case quotation and the relevant NCERT explanation to each.

33(a). Give meaning of 'Formal Organization'. State any five features of formal organization.

[6 marks]

Solution:

Concept:

- Organising: formal organisation is the structure of authority relationships deliberately designed by management to accomplish organisational objectives.
- The prescribed duties, reporting relationships and procedures coordinate individual efforts and establish a clear framework for work.

Step 1: Meaning of formal organisation **Meaning:** Formal organisation refers to the organisation structure which is deliberately designed by management to accomplish a particular task. It clearly specifies the boundaries of authority and responsibility and provides for systematic coordination among activities to achieve organisational goals. Employees can therefore identify the work expected of them, the authority available to perform it, and the person to whom they are accountable.

Step 2: Five features of formal organisation

- **Specifies relationships among job positions:** It specifies the relationships among different job positions and the nature of their interrelationship. This makes it clear who reports to whom and defines the hierarchy of authority. A subordinate knows the superior from whom instructions are to be received and to whom performance is to be reported.
- **A means of achieving organisational objectives:** It is a means to achieve the objectives specified in plans. Rules and procedures guide employees, while standards of work are laid down to direct their efforts towards those objectives. Work is thus performed within a common framework rather than being left entirely to individual preferences.
- **Coordinates the efforts of different departments:** The efforts of various departments are coordinated, interlinked and integrated through the formal organisation. The structure makes their responsibilities and interdependence clear so that departmental work contributes to the objectives of the enterprise as a whole.
- **Deliberately designed by top management:** It is deliberately designed by top management to facilitate the smooth functioning of the organisation. Management consciously defines jobs, assigns duties, establishes authority relationships and provides channels for communication; the structure is therefore a planned arrangement.
- **Emphasises work rather than interpersonal relationships:** It places greater emphasis on the work to be performed than on interpersonal relationships among employees. Authority attaches to a position in the structure, and official interactions follow prescribed duties and reporting relationships. This gives the formal organisation an impersonal character.

Step 3: Conclusion Formal organisation is a deliberately created structure for achieving organisational objectives. Its five features are specified job relationships, a goal-directed framework of rules and standards, coordination of departments, deliberate design by top management, and emphasis on work over interpersonal relationships.

Quick Tip to Solve: Separate the definition from the five features, and use the NCERT headings: job relationships, objectives, coordination, deliberate design and emphasis on work.

OR

33(b). Differentiate between 'Functional Structure' and 'Divisional Structure' of organization on any six basis. [6 marks]

Solution:

Concept:

- Organising: Functional structure groups jobs of a similar nature under major functions, such as production, marketing, finance and personnel.
- Divisional structure groups activities around different products. Each product division has its own functional departments and operates as an identifiable unit.

Step 1: Compare the basis, specialisation and responsibility The following six bases distinguish the two structures. The first three concern how work and accountability are organised.

Basis	Functional structure	Divisional structure
1. Formation	Departments are formed on the basis of functions performed, such as production, sales and finance.	Divisions are formed on the basis of product lines, with each division containing the necessary functions.
2. Specialisation	It leads to functional specialisation because people performing similar work are grouped together.	It leads to product specialisation because each division concentrates on a particular product or product line.
3. Responsibility	Fixing responsibility for the overall performance of a product is difficult, as different functions contribute to its results.	Responsibility for a product's performance is easier to fix because the divisional head is accountable for the division's results.

Step 2: Compare managerial development, cost and coordination The remaining three bases concern the consequences of grouping activities by function or by product.

Basis	Functional structure	Divisional structure
4. Managerial development	Managerial development is more limited because functional managers gain experience mainly in their own specialised area.	Managers develop broader skills because a divisional manager oversees several functions relating to the product.
5. Cost	It is economical because common functional services are used across products, avoiding unnecessary duplication.	It is costlier because personnel, equipment and other resources may be duplicated across product divisions.
6. Coordination	Coordination for a product is relatively difficult because the required functions are located in separate departments.	Coordination within a product division is easier because the necessary functions are integrated under one divisional head.

Step 3: Conclusion Functional and divisional structures differ in formation, specialisation, responsibility, managerial development, cost and coordination. Functional structure emphasises specialised functions, while divisional structure integrates functions around each product.

Quick Tip to Solve: Compare the same basis across both columns: functions versus products is the central distinction from which the other differences follow.

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

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

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

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

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

Solution:

Concept:

- Controlling: The management function of comparing actual performance with planned standards, identifying deviations and taking corrective action to achieve organisational goals.
- Control helps management ensure that activities conform to plans and resources are used effectively and efficiently. It also provides feedback for future planning.

Step 1: Identify and state the function in part (i) The function is **controlling**. It means ensuring that organisational activities are performed according to plans by measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.

The case states that Asha wanted "to ensure that the activities were performed as per the plans" and that resources were used "effectively and efficiently". These words identify controlling. Nabita "monitored the activities" and discovered that two workers were gossiping and distracting others. This monitoring exposed a cause of the shortfall in production, enabling management to decide the corrective action required. The case does not state that a particular corrective measure was already implemented.

Step 2: State five points of importance for part (ii)

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings deviations to management's attention. It guides corrective action so that activities remain on the planned course and targets can be achieved.
- **Judging accuracy of standards:** An effective control system helps management verify whether the standards set are accurate and realistic. By examining actual performance and changes in the organisation or its environment, managers can review and revise standards when necessary.
- **Making efficient use of resources:** Control requires activities to follow predetermined standards. This reduces wastage and spoilage and helps ensure that human and physical resources are used efficiently. In Asha's case, identifying time wasted in gossiping reveals why the added workforce

was not producing the expected output.

- **Improving employee motivation:** When employees know in advance the standards of performance and the basis on which they will be evaluated, they understand what is expected of them. Clear targets help them direct their efforts and improve their performance.
- **Ensuring order and discipline:** Controlling keeps a check on employee activities and discourages dishonest or undesirable behaviour. It promotes orderly work and discipline. Nabita's discovery of gossiping and distraction illustrates how control can reveal behaviour that interferes with productive work.

Step 3: Conclusion (i) The function is controlling, which ensures performance according to plans through comparison and corrective action. (ii) Its importance includes accomplishing goals, judging standards, using resources efficiently, improving motivation, and ensuring order and discipline.

Quick Tip to Solve: In a case, link monitoring and performance against plans to controlling, then state five distinct NCERT importance headings with an explanation of each.