CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/4/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. The leadership style in which followers are given a high degree of independence to formulate their own objectives and ways to achieve them, is known as : [1 mark]

(A) Autocratic leadership style

(B) Democratic leadership style

(C) Free-rein leadership style

(D) None of the above

Correct Answer: (C) Free-rein leadership style

Solution:

Concept:

- Directing: free-rein or laissez-faire leadership gives subordinates substantial freedom in setting objectives and deciding how to achieve them.

Step 1: Recognise the decisive feature The words 'high degree of independence to formulate their own objectives and ways to achieve them' describe free-rein leadership. The leader supplies information and resources and allows followers to make decisions within the assigned work.

Step 2: Eliminate the other styles Autocratic leadership concentrates decision-making in the leader. Democratic leadership involves consultation and participation, but does not give the same extensive independence in setting objectives and methods. Therefore, neither (A) nor (B) fits; (D) also fails because a named style does fit.

Step 3: Conclusion The correct option is (C): Free-rein leadership style.

Quick Tip to Solve: Match freedom to set both objectives and methods with free-rein leadership.

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2. 'KJ Ltd.' is a tile manufacturing company in Udaipur having its own stores in various cities of Rajasthan. Instead of having its own trucks, the company decides to use trucks on lease to transport its tiles to various stores. Identify how the company's decision to lease trucks will affect its capital requirements. [1 mark]

(A) Decrease the fixed capital requirements

(B) Increase the fixed capital requirements

(C) Will not affect the fixed capital requirements

(D) Decrease the working capital requirements

Correct Answer: (A) Decrease the fixed capital requirements

Solution:

Concept:

- Financial Management: the availability of leasing facilities reduces the funds required for investment in fixed assets.

Step 1: Apply the leasing decision The case says that 'instead of having its own trucks', KJ Ltd. will 'use trucks on lease'. Trucks bought by the company would be fixed assets requiring a substantial initial investment. Leasing provides their use without purchasing them.

Step 2: Compare the capital effects Consequently, the amount tied up in fixed assets falls. This rules out an increase in fixed capital in (B) and no effect in (C). Lease rentals are recurring payments; the decision does not establish a decrease in funds needed for daily operations, so (D) is not the appropriate effect.

Step 3: Conclusion The correct option is (A): Decrease the fixed capital requirements.

Quick Tip to Solve: When an asset is leased instead of purchased, identify the saving in fixed capital.

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3. 'Dhruv Ltd.' is in need of two drivers on regular basis to transport the goods to different states. To fill the post of drivers, the company decides to put the information on the Notice Board, placed near the main gate of the company, asking interested persons to meet the manager on a particular date and time.

From the following, identify the source of recruitment used by 'Dhruv Ltd.' for filling the post of drivers : [1 mark]

(A) Campus Recruitment

(B) Casual Callers

(C) Direct Recruitment

(D) Advertisement

Correct Answer: (C) Direct Recruitment

Solution:

Concept:

- Staffing: direct recruitment is an external source in which a notice at the premises invites job seekers to appear on a specified date.

Step 1: Identify the source from the evidence The company places information on the 'Notice Board, placed near the main gate' and asks interested persons to meet the manager at a 'particular date and time'. This matches the textbook description of direct recruitment.

Step 2: Distinguish the alternatives Campus recruitment involves educational institutions, which are absent here. Casual callers are unsolicited applicants whose applications may be kept on file; here the company actively invites applicants. Advertisement generally refers to publishing vacancies through media to reach a wider public. The specific gate-notice method is direct recruitment.

Step 3: Conclusion The correct option is (C): Direct Recruitment.

Quick Tip to Solve: Look for a notice at the factory gate and a specified reporting date to identify direct recruitment.

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4. 'TA Ltd.' rejected the applications of twelve candidates based on the information supplied by them in their application forms. These candidates did not have the required five years of experience and the Masters in Business Administration (MBA) degree in Finance, both of which were pre-requisites for the post of Finance Manager.

From the following, identify the step of 'Selection Process' discussed in the above case. [1 mark]

(A) Preliminary Screening

(B) Selection Test

(C) Employment Interview

(D) Selection Decision

Correct Answer: (A) Preliminary Screening

Solution:

Concept:

- Staffing: preliminary screening eliminates applicants who do not meet the minimum qualifications specified for a job.

Step 1: Connect the case with screening TA Ltd. rejects candidates 'based on the information supplied by them in their application forms'. The missing experience and MBA degree are stated pre-requisites, so unsuitable applicants are removed at the initial screening stage.

Step 2: Rule out later selection stages No ability or aptitude test is administered, so (B) does not apply. There is no face-to-face questioning, which excludes an employment interview in (C). A selection decision chooses suitable candidates after evaluation; the case instead describes initial rejection for failing minimum eligibility, excluding (D).

Step 3: Conclusion The correct option is (A): Preliminary Screening.

Quick Tip to Solve: Rejection from application-form details for missing minimum eligibility signals preliminary screening.

5. Menon, a worker in 'Superior Toys Company' was given a task by his superior to produce 100 toys in a week. Menon delegated this task to his subordinates, Rohan and Farhan. Farhan met with an accident and was hospitalised. Rohan could not complete this task even after working more hours than allotted. Who is answerable to Menon's superior for this task ? [1 mark]

(A) Farhan

(B) Menon

(C) Both Menon and Rohan

(D) Both Rohan and Farhan

Correct Answer: (B) Menon

Solution:

Concept:

- Organising: accountability is the obligation to answer for the final outcome of an assigned task and cannot be delegated.

Step 1: Trace the original assignment Menon was given the task by 'his superior to produce 100 toys in a week'. Although he assigned work to Rohan and Farhan, Menon remains accountable to the superior who originally entrusted him with the task.

Step 2: Separate delegation from accountability Delegation permits assigning responsibility and granting authority, but cannot remove the delegator's accountability. Farhan's accident and Rohan's extra effort explain the shortfall without shifting Menon's answerability. Rohan and Farhan answer to Menon for their work, not directly to Menon's superior for the original assignment. Thus (A), (C) and (D) do not identify the correct accountable person.

Step 3: Conclusion The correct option is (B): Menon.

Quick Tip to Solve: Trace accountability to the person who received the task from the superior; delegation does not transfer it.

6. Read the following statements : Assertion (A) and Reason (R).

Assertion (A) : Authority flows downwards from superior to subordinate.

Reason (R) : Authority is the right of an individual to command the subordinates and to take action within the scope of his position.

Choose the correct alternative from the options 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:

- Organising: authority is the right attached to a managerial position to command subordinates and take action within its scope.

Step 1: Judge the assertion Assertion (A) is true. In the formal hierarchy, a superior exercises authority over subordinates and delegates the required authority down the chain of command. Thus authority flows downwards.

Step 2: Judge the reason Reason (R) is true. It correctly defines authority as the positional right to command subordinates and take action within the scope of the position.

Step 3: Check the explanatory link The right is exercised by the superior over subordinates; this superior-subordinate relationship explains its downward direction. Hence the reason explains the assertion. Option (B) incorrectly denies this link, while (C) and (D) incorrectly treat one of the true statements as false.

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

Quick Tip to Solve: Use the right to command subordinates to identify the downward direction of authority.

7. Read the following statements carefully :

Statement I : While buying electrical appliances, a consumer should buy only ISI mark products.

Statement II : It is the responsibility of a consumer to buy only standardised goods as they provide quality assurance.

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

(A) Statement I is true and Statement II is false.

(B) Statement I is false and Statement II is true.

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

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

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

Solution:

Concept:

- Consumer Protection: responsible consumers buy standardised goods, using appropriate quality certification marks to obtain quality assurance.

Step 1: Assess both statements Statement I is true: for electrical appliances, the NCERT recommendation is to look for the ISI mark. Statement II is also true: buying standardised products is a consumer responsibility because standardisation provides quality assurance.

Step 2: Compare the combinations The first statement applies the general responsibility in the second statement to electrical appliances. Option (A) wrongly rejects Statement II; option (B) wrongly rejects Statement I; option (D) wrongly rejects both. The combination accepting both statements therefore matches the textbook treatment.

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

Quick Tip to Solve: Associate electrical appliances with the ISI mark, then check each statement separately.

8. From the picture given below identify the promotional tool used by the organisation to achieve its communication objectives : [1 mark]



(A) Advertising

(B) Personal Selling

(C) Sales Promotion

(D) Public Relations

Correct Answer: (C) Sales Promotion

Solution:

Concept:

- Marketing Management: Sales promotion offers short-term incentives to stimulate immediate purchase.
- Identify the defining feature in the question before comparing the alternatives.

Step 1: Identify the offer The pack says '10% Extra'. This gives the buyer an additional quantity of the product as an incentive to buy. It is a quantity offer, a technique of sales promotion, rather than merely information about the product.

Step 2: Eliminate the other tools Advertising is paid, impersonal communication through an identified sponsor; the decisive feature here is the extra quantity incentive. Personal selling requires direct personal interaction with a salesperson, which the picture does not show. Public relations aims to build favourable public relations and image rather than offering extra product.

Step 3: Conclusion The answer is Sales Promotion. Hence, the correct option is (C).

Quick Tip to Solve: Look for an extra quantity, discount or gift: it signals a sales promotion incentive.

OR

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 8.

8. Which of the following functions of marketing gives detailed information to the consumers about the product, ensures safety of product and also serves as a promotional tool? [1 mark]

(A) Product designing and development

(B) Branding

(C) Marketing planning

(D) Packaging and labelling

Correct Answer: (D) Packaging and labelling

Solution:

Concept:

- Marketing Management: Packaging protects the product and helps promote it, while labelling describes the product and provides information to consumers.
- The combined function of packaging and labelling covers protection, identification and communication about the product.

Step 1: Match the functions described The phrase 'gives detailed information to the consumers about the product' points to labelling. A label describes the product, including its contents and use. The phrase 'ensures safety of product' points to packaging, which protects the product during handling, storage and transportation. Attractive packaging and labels also help attract attention and promote the product.

Step 2: Eliminate the other functions Product designing and development deals with a product's design, quality and features. Branding gives the product a distinct name, sign or symbol to distinguish it from competitors. Marketing planning determines the activities needed to achieve marketing objectives. None of these alternatives combines detailed product information, physical protection and promotion as directly as packaging and labelling does.

Step 3: Conclusion The function is packaging and labelling. Hence, the correct option is (D).

Quick Tip to Solve: Match information with labelling and protection with packaging; their combination identifies this function.

9. Which of the following functions of the Stock Exchange gives investors the chance to disinvest and re-invest in securities ? [1 mark]

(A) Pricing of securities

(B) Safety of transactions

(C) Providing liquidity and marketability to existing securities

(D) Providing scope for speculation

Correct Answer: (C) Providing liquidity and marketability to existing securities

Solution:

Concept:

- Financial Markets: A stock exchange supplies a continuous market for existing securities, making them liquid and marketable.
- Identify the defining feature in the question before comparing the alternatives.

Step 1: Connect disinvestment with liquidity Disinvestment means selling securities already held. The stock exchange provides a ready market where investors can sell these holdings and obtain cash. They can then use the money to purchase other securities, so funds move between investments without waiting for the issuing company to repay them.

Step 2: Distinguish the other functions Pricing of securities establishes prices through demand and supply, but does not itself describe the opportunity to exit and reinvest. Safety of transactions concerns regulated, reliable dealings. Providing scope for speculation allows informed price-based trading within controls. The question specifically asks about converting an existing holding into money and investing again.

Step 3: Conclusion The answer is Providing liquidity and marketability to existing securities. Hence, the correct option is (C).

Quick Tip to Solve: The words disinvest and reinvest point to the ready resale market for existing securities.

10. The study which refers to the study of movements which are undertaken while doing a typical job, is called : [1 mark]

(A) Method study

(B) Fatigue study

(C) Motion study

(D) Time study

Correct Answer: (C) Motion study

Solution:

Concept:

- Principles of Management: Motion study is a technique of scientific management that examines movements made while performing a job.
- Identify the defining feature in the question before comparing the alternatives.

Step 1: Identify the object of study The question focuses on movements undertaken while doing a typical job. Motion study examines actions such as lifting, putting objects down, sitting or changing position. It identifies necessary movements and eliminates unnecessary ones so that work can be completed efficiently.

Step 2: Compare the other studies Method study determines the best way of performing a job. Fatigue study determines the amount and frequency of rest intervals needed during work. Time study determines the standard time for a well-defined task. None of these is specifically the study of the individual movements involved in doing the task.

Step 3: Conclusion The answer is Motion study. Hence, the correct option is (C).

Quick Tip to Solve: Movements mean motion study; best method, rest intervals and standard time name the other studies.

11. 'Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries' is _____ of Securities and Exchange Board of India. [1 mark]

(A) Regulatory Function

(B) Development Function

(C) Protective Function

(D) Both (B) and (C)

Correct Answer: (A) Regulatory Function

Solution:

Concept:

- Financial Markets: SEBI regulatory functions supervise stock exchanges and intermediaries and enforce the framework for securities-market operations.
- Identify the defining feature in the question before comparing the alternatives.

Step 1: Identify the nature of the activity The words 'inspection', 'enquiries' and 'audits' describe SEBI obtaining information and checking the functioning of stock exchanges and intermediaries. This is supervisory oversight and is included among its regulatory functions.

Step 2: Rule out the other categories Development functions promote the growth and efficiency of the securities market, for example through training intermediaries. Protective functions safeguard investors through measures such as prohibiting fraudulent practices and insider trading. The quoted inspection and audit activity is specifically regulatory, so neither development nor protective, nor their combination in option (D), is the required category.

Step 3: Conclusion The answer is Regulatory Function. Hence, the correct option is (A).

Quick Tip to Solve: Inspection, enquiries and audits are checks on market participants: classify them as regulatory.

12. Match the following functions of Production In-charges stated in Column-II with their names in Column-I.

Column-I	Column-II
1. Speed Boss	(i) To ensure proper working conditions of machines and tools
2. Gang Boss	(ii) To check the quality of work
3. Repair Boss	(iii) To keep machines and tools, etc. ready for operation by workers
4. Inspector	(iv) To ensure timely and accurate completion of job

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

(A) 1-(iii), 2-(iv), 3-(ii), 4-(i)

(B) 1-(ii), 2-(i), 3-(iii), 4-(iv)

(C) 1-(i), 2-(ii), 3-(iii), 4-(iv)

(D) 1-(iv), 2-(iii), 3-(i), 4-(ii)

Correct Answer: (D) 1-(iv), 2-(iii), 3-(i), 4-(ii)

Solution:

Concept:

- Principles of Management: Functional foremanship divides supervision among specialist foremen; the production in-charges have distinct duties.
- Identify the defining feature in the question before comparing the alternatives.

Step 1: Match all four production in-charges **Speed Boss:** Ensures timely and accurate completion of the job, hence 1-(iv). **Gang Boss:** Keeps machines and tools ready for workers to operate, hence 2-(iii). **Repair Boss:** Ensures proper working conditions of machines and tools, hence 3-(i). **Inspector:** Checks the quality of work, hence 4-(ii).

Step 2: Check the option sequences Only option (D) contains all four matches. Option (A) incorrectly assigns readiness to the speed boss and quality to the repair boss. Option (B) incorrectly gives quality checking to the speed boss. Option (C) incorrectly gives quality checking to the gang boss. These duties belong to different specialists under functional foremanship.

Step 3: Conclusion The answer is 1-(iv), 2-(iii), 3-(i), 4-(ii). Hence, the correct option is (D).

Quick Tip to Solve: Pair speed with timely output, gang with readiness, repair with condition and inspector with quality.

13. 'Homely Space' is a home decor company providing interior design services. The company lacks facilities like frequent meetings, suggestion box, complaint box, social and cultural gatherings, etc. This causes hindrance in achieving the objectives. Identify the type of communication barrier discussed above from the following : [1 mark]

(A) Semantic barrier

(B) Psychological barrier

(C) Organisational barrier

(D) Personal barrier

Correct Answer: (C) Organisational barrier

Solution:

Concept:

- Directing: Inadequate organisational facilities are organisational barriers to effective communication.
- Identify the defining feature in the question before comparing the alternatives.

Step 1: Identify the evidence in the case The company 'lacks facilities like frequent meetings, suggestion box, complaint box, social and cultural gatherings'. Such arrangements enable employees to communicate, provide feedback and interact. Their absence obstructs communication because of the organisation's inadequate facilities.

Step 2: Distinguish the remaining barriers Semantic barriers concern meaning, language, symbols or interpretation of messages. Psychological barriers arise from emotional or mental conditions, such as distrust or premature evaluation. Personal barriers arise from individual attitudes, fears or unwillingness to communicate. The case instead identifies missing institutional arrangements, so it is an organisational barrier.

Step 3: Conclusion The answer is Organisational barrier. Hence, the correct option is (C).

Quick Tip to Solve: Missing meetings, suggestion boxes and grievance channels indicate inadequate organisational facilities.

14. Read the following statements : Assertion (A) and Reason (R).

Assertion (A) : A good control system motivates employees and helps them to give better performance.

Reason (R) : It ensures that employees know well in advance what they are expected to do and what the standards of performance are, on the basis of which they will be appraised.

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

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

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

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

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

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

Solution:

Concept:

- Controlling: A good control system improves employee motivation by clarifying expected performance and appraisal standards.
- Known standards guide effort and provide an objective basis for evaluating actual performance.

Step 1: Judge the assertion Assertion (A) is true. A good control system motivates employees and helps them perform better because it gives them a clear direction for their work and a basis for assessing achievement.

Step 2: Judge the reason Reason (R) is true. Employees know in advance what is expected of them and the standards against which they will be appraised. Standards therefore make the expected level of performance explicit before actual performance is assessed.

Step 3: Check the explanatory link and alternatives The reason explains the assertion: clear expectations reduce uncertainty and encourage employees to direct their efforts towards the required performance. Options (A) and (B) are wrong because neither statement is false. Option (D) is wrong because the reason does explain how control improves motivation, rather than merely stating an unrelated fact.

Step 4: Conclusion Both statements are true, and the reason correctly explains the assertion. Hence, the correct option is (C).

Quick Tip to Solve: For motivation under controlling, connect clear appraisal standards with better directed employee effort.

15. Read the following statements carefully :

Statement I : A rule reflects a managerial decision that a certain action must or must not be taken.

Statement II : A rule allows flexibility or discretion.

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

(A) Both Statement I and Statement II are true.

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

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

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

Correct Answer: (C) Statement I is true and Statement II is false.

Solution:

Concept:

- Planning: rules specify exactly what must or must not be done in a particular situation.
- A rule does not allow flexibility or discretion in its application.

Step 1: Judge Statement I Statement I is true. A rule embodies a managerial decision requiring or prohibiting a particular action. For example, a rule against smoking states precisely what employees must not do; it does not merely suggest a preferred course.

Step 2: Judge Statement II and compare the options Statement II is false because rules leave no scope for individual discretion. They must be followed as stated. Thus (A) fails because it treats Statement II as true, (B) fails because Statement I is true, and (D) reverses the correct truth values.

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

Quick Tip to Solve: Link a rule with a compulsory instruction: discretion makes Statement II false.

16. Radhika wants to sell 20,000 shares of 'Tara Ltd.' held by her. In which of the following market can she sell these shares ? [1 mark]

(A) Primary Market

(B) Secondary Market

(C) Money Market

(D) All of the above markets

Correct Answer: (B) Secondary Market

Solution:

Concept:

- Financial Markets: the secondary market enables investors to buy and sell securities already issued.
- The primary market deals with new issues; the money market deals with short-term funds and instruments.

Step 1: Identify the nature of the transaction Radhika wants to sell shares already 'held by her'. These are existing securities, so this is a resale by an investor rather than a fresh issue of shares by Tara Ltd. The number of shares does not change the market classification.

Step 2: Check the alternatives The secondary market provides liquidity by enabling this sale. Option (A) is unsuitable because the primary market concerns newly issued securities. Option (C) fails because shares are capital-market securities, not money-market instruments. Therefore (D) also fails: these markets are not interchangeable.

Step 3: Conclusion She can sell the shares in the secondary market. Hence, the correct option is (B).

Quick Tip to Solve: Look for who sells: an existing shareholder reselling shares uses the secondary market.

17. To promote awareness among consumers, the government is running a campaign 'Jago Grahak Jago'. This campaign is a part of which of the following right ? [1 mark]

(A) Right to be informed

(B) Right to safety

(C) Right to consumer education

(D) Right to be heard

Correct Answer: (C) Right to consumer education

Solution:

Concept:

- Consumer Protection: the right to consumer education gives consumers knowledge and skills to act as informed consumers.
- Awareness campaigns educate people about their consumer rights and available remedies.

Step 1: Identify the purpose of the campaign The decisive words are 'To promote awareness among consumers'. The 'Jago Grahak Jago' campaign educates consumers about their rights and responsibilities, enabling them to recognise unfair practices and protect their interests.

Step 2: Distinguish the other rights Option (A), the right to be informed, concerns information such as a product's quality, quantity, price and ingredients. Option (B), safety, protects against hazardous goods and services. Option (D), being heard, concerns having consumer interests and complaints considered. None identifies the general education and awareness purpose stated here.

Step 3: Conclusion The campaign forms part of the right to consumer education. Hence, the correct option is (C).

Quick Tip to Solve: Match general awareness campaigns with consumer education; product particulars mean information.

18. Evaluating an employee's current and/or past performance as against certain pre-determined standards, is known as : [1 mark]

(A) Selection decision

(B) Performance appraisal

(C) Compensation

(D) Preliminary screening

Correct Answer: (B) Performance appraisal

Solution:

Concept:

- Staffing: performance appraisal evaluates an employee's current or past performance against predetermined standards.
- Appraisal compares actual job performance with expected performance and provides feedback.

Step 1: Recognise the activity described The question refers to evaluating 'current and/or past performance' against 'pre-determined standards'. This is performance appraisal: assessing how well an employee has performed the assigned job relative to the standards set for it.

Step 2: Eliminate the other staffing activities Option (A), selection decision, means choosing a suitable candidate for appointment. Option (D), preliminary screening, removes unsuitable applicants at an early selection stage. Option (C), compensation, concerns pay and rewards. These activities do not denote the evaluation of an employee's performance against standards.

Step 3: Conclusion The activity is performance appraisal. Hence, the correct option is (B).

Quick Tip to Solve: An existing employee plus performance compared with standards signals performance appraisal.

19. A leading newspaper company decided to increase its market share by 10%. After developing the premises, the company identified the following alternative courses of action to be adopted :

(i) To have eco-friendly newspapers

(ii) To introduce specific sections for children

(iii) To have columns for increasing general awareness for competitive exams

(iv) To have international news on a daily basis

After identifying the above alternatives, a board meeting was called.

Identify from the following, the next step in the planning process which is to be taken in the board meeting. [1 mark]

(A) Follow-up action

(B) Implementing the plan

(C) Evaluating alternatives courses

(D) Selecting an alternative

Correct Answer: (C) Evaluating alternatives courses

Solution:

Concept:

- Planning: after identifying alternative courses of action, managers evaluate their advantages and disadvantages in light of the objective.
- Evaluation precedes selecting an alternative, implementing the plan and follow-up action.

Step 1: Locate the stage already completed The company has set its objective of increasing market share by 10% and developed planning premises. It has then 'identified the following alternative courses of action'. Thus identification of alternatives has already been completed; the next step is to assess those alternatives.

Step 2: Determine what the board must do next The board should examine the merits, limitations, costs and likely contribution of each alternative to the market-share objective. Option (D), selecting an alternative, comes after this evaluation. Option (B), implementation, follows selection, and option (A), follow-up, checks results after implementation. Therefore those are later stages.

Step 3: Conclusion The next step is evaluating alternative courses. Hence, the correct option is (C).

Quick Tip to Solve: Use the sequence: identify alternatives, evaluate alternatives, select, implement, follow up.

20. 'A poor telephone connection' is an example of which of the following element of communication process ? [1 mark]

(A) Message

(B) Media

(C) Decoding

(D) Noise

Correct Answer: (D) Noise

Solution:

Concept:

- Directing: noise is any obstruction or hindrance that interferes with communication.
- A disturbance in the communication channel can prevent the receiver from receiving the message clearly.

Step 1: Identify the obstruction A 'poor telephone connection' can interrupt, distort or obscure the sender's words. It interferes with transmission and reception of the intended message, so it represents noise in the communication process.

Step 2: Separate noise from the other elements Option (A), message, is the content to be communicated. Option (B), media, is the channel used: here the telephone. The poor quality of the connection is the interference in that channel. Option (C), decoding, is the receiver's interpretation of the symbols received, not the faulty connection itself.

Step 3: Conclusion A poor telephone connection is noise. Hence, the correct option is (D).

Quick Tip to Solve: Distinguish the telephone as a medium from its poor connection as noise.

21(a). Explain the following functions of Marketing :

(i) Gathering and analysing market information

(ii) Product designing and development [3 marks]

Solution:

Concept:

- Marketing Management: gathering and analysing market information enables a firm to identify customer needs and market opportunities.
- Marketing Management: product designing and development translates identified needs into a suitable product offering.

Step 1: Gathering and analysing market information **Gathering and analysing market information:** This function involves systematically collecting and analysing information about consumers, their needs and preferences, competitors and other features of the market. A marketer uses this information to identify opportunities and threats and to decide how best to serve the target market. For example, changes in customer preferences can indicate a need to modify a product or introduce a new one. Thus, information provides the basis for sound marketing decisions instead of relying on guesswork.

Step 2: Product designing and development **Product designing and development:** This function involves deciding the design, features, quality, size, shape and style of a product so that it meets the needs of the target customers. An effective design makes the product attractive and useful, improves its performance and can provide a competitive advantage. Development turns the product idea into a marketable offering. The design must therefore combine customer appeal with functional suitability; appearance alone is insufficient if the product does not perform the task for which customers buy it.

Step 3: Conclusion Gathering and analysing market information identifies what the market needs; product designing and development creates a suitable product to satisfy those needs.

Quick Tip to Solve: Link market information to identifying needs, and product design to satisfying those needs.

OR

21(b). Differentiate between 'Production concept' and 'Product concept' of marketing management philosophies on the basis of the following :

(i) Starting point

(ii) Main focus

(iii) Means [3 marks]

Solution:

Concept:

- Marketing Management: the production concept assumes that consumers favour products that are widely available and affordable.
- The product concept assumes that consumers favour products offering superior quality, performance and features.

Step 1: Distinguish on the three specified bases The differences are as follows:

Basis	Production concept	Product concept
Starting point	Factory: the emphasis begins with existing production facilities and their output.	Product: the emphasis begins with the product and its attributes.
Main focus	Quantity of the product: increasing production and making products widely available at an affordable price.	Quality, performance and features of the product: offering a superior product to buyers.
Means	Availability and affordability of the product, achieved through efficient production and distribution.	Product improvements, achieved by continually improving quality, performance and features.

Step 2: Explain the underlying distinction Under the production concept, management concentrates on producing and distributing more units efficiently so that customers can obtain the product easily and economically. Under the product concept, management concentrates on improving the product itself, believing that customers will prefer superior quality and performance. Thus, increasing output is central to the first philosophy, whereas continuous product improvement is central to the second.

Step 3: Conclusion Production concept: factory, quantity, and availability and affordability. Product concept: product, quality and performance, and product improvements.

Quick Tip to Solve: For the three bases, recall factory–quantity–availability versus product–quality–improvements.

22. Abhinav is working as a production manager in a steel manufacturing plant, 'KPG Ltd.' To compete in the market, he thought of replacing the existing machinery with new high-tech machinery. Abhinav discussed his idea with the Chief Executive Officer who asked him to prepare a proposal for the same and sent it to the finance manager. The finance manager said that this decision had to be evaluated carefully as it involved a huge amount of investment and was irreversible except at a huge cost.

Identify the decision which the finance manager would like to evaluate. State any two factors which may affect this decision. [3 marks]

Solution:

Concept:

- Financial Management: a long-term investment decision, also called a capital budgeting decision, concerns investment in fixed assets.
- Cash flows of the project and the rate of return are important factors affecting capital budgeting decisions.

Step 1: Identify the decision using the case **Long-term investment decision (capital budgeting decision):** The proposed replacement of existing machinery with new high-tech machinery is an investment in fixed assets. The case states that it involves a "huge amount of investment and is "irreversible except at a huge cost. These features identify a capital budgeting decision because substantial funds are committed for a long period and the choice affects the future earning capacity of the business. It is not a financing decision about the source of funds, or a dividend decision about

distributing profits.

Step 2: First factor: cash flows of the project **Cash flows of the project:** The finance manager should assess the series of cash receipts and cash payments expected over the life of the new machinery. The amount and timing of these cash flows must be evaluated carefully. A project that generates adequate cash inflows relative to its outflows is more attractive; accounting profit alone is not sufficient for this evaluation.

Step 3: Second factor: rate of return **Rate of return:** The expected return from the investment must be assessed in relation to the risk involved and the cost of capital. The manager should calculate the anticipated return from each available proposal and evaluate whether it is adequate. Other things remaining the same, a proposal offering a higher suitable rate of return is preferred.

Step 4: Conclusion The decision is a capital budgeting decision. Two factors affecting it are the cash flows of the project and its expected rate of return.

Quick Tip to Solve: Replacement of costly machinery signals capital budgeting; state factors that evaluate the investment itself.

23(a). State any three points of importance of consumer protection from the point of view of business.

[3 marks]

Solution:

Concept:

- Consumer Protection: Importance of consumer protection from the point of view of business.
- A business depends on consumers for its survival and must use its resources responsibly while fulfilling its obligations towards them.

Step 1: Explain the commercial importance **Long-term interest of business:** Satisfied customers make repeat purchases and also tell others about their good experience. Protecting consumers therefore helps a business build goodwill, retain customers and increase its customer base. A firm that serves customers well is better placed to earn profits and survive in the long run.

Step 2: Explain the responsibilities of business **Business uses society's resources:** Business organisations use resources that belong to society. They therefore have a responsibility to use these resources in the best interests of society. Consumer protection is one way of discharging this responsibility.

Social responsibility: A business has responsibilities towards different interest groups, including consumers. Since consumers provide the revenue that supports its operations, the business must supply safe products of appropriate quality at fair prices and avoid misleading advertisements and other unfair practices.

Step 3: Conclusion The three points are long-term interest of business, business using society's resources, and social responsibility.

Quick Tip to Solve: For a business-viewpoint answer, connect consumer protection with goodwill, social resources and obligations to customers.

OR

23(b). 'The consumer grievances are redressed by the three tier machinery under Consumer Protection Act, 2019.'

(i) Name the three tiers of the enforcement machinery.

(ii) Also state jurisdiction of cases that can be filed in each of these three tiers of the enforcement machinery. [3 marks]

Solution:

Concept:

- Consumer Protection: Three-tier consumer dispute redressal machinery under the Consumer Protection Act, 2019.
- The three levels are the District Commission, State Commission and National Commission. Pecuniary jurisdiction identifies which level entertains an original complaint on the basis of the value of goods or services paid as consideration.

Step 1: Name the three tiers in part (i) The enforcement machinery consists of the District Consumer Disputes Redressal Commission at district level, the State Consumer Disputes Redressal Commission at state level and the National Consumer Disputes Redressal Commission at national level. They provide an organised system for consumers to seek redressal of their grievances.

Step 2: State their jurisdiction in part (ii) Using the original pecuniary limits under the Consumer Protection Act, 2019:

District Commission: Complaints where the value of goods or services paid as consideration does not exceed Rs 1 crore.

State Commission: Complaints where this value exceeds Rs 1 crore but does not exceed Rs 10 crore.

National Commission: Complaints where this value exceeds Rs 10 crore.

The amount of compensation claimed is not the basis of these limits. The State Commission also hears appeals against District Commission orders, while the National Commission hears appeals against State Commission orders.

Step 3: Conclusion The three tiers are District, State and National Commissions, with original Act limits of up to Rs 1 crore, above Rs 1 crore up to Rs 10 crore, and above Rs 10 crore, respectively.

Quick Tip to Solve: Keep the boundary amounts in the lower tier: exactly Rs 1 crore is District and exactly Rs 10 crore is State under the original Act limits.

24. Sameer is a wholesaler, who deals in cricket equipment. He collects cricket equipment like bats, balls, helmets, gloves, stumps, etc. from different manufacturers and assembles them in a kit for the convenience of customers. He sets a standard target to assemble 100 kits a day. During the first week of the month the workers assembled 92 – 96 kits a day, which was lower than the set standard. On investigation, it was found that the variation in assembly of kits was due to an irregular supply of helmets. Workers had to wait for helmets to assemble the kits.

(i) State the function of management discussed in the above case.

(ii) State the steps of the function identified in (i) above, which are discussed in the above paragraph.

[3 marks]

Solution:

Concept:

- Controlling: The management function of comparing actual performance with established standards, identifying deviations and ensuring corrective action.
- The steps are setting performance standards, measurement of actual performance, comparison with standards, analysing deviations and taking corrective action. Identify only the steps actually described in the case.

Step 1: Identify the function in part (i) The function is **controlling**. Sameer sets a daily output target, checks the actual assembly of kits against that target and investigates why output is lower. Thus, the case concerns ensuring that actual activities conform to planned performance.

Step 2: Identify the steps discussed in part (ii) **Setting performance standards:** The words "sets a standard target to assemble 100 kits a day" establish the expected level of daily output.

Measurement of actual performance: The statement "workers assembled 92–96 kits a day" records the actual output during the first week.

Comparing actual performance with standards: The words "which was lower than the set standard" show comparison of actual output with the target of 100 kits.

Analysing deviations: The investigation found that the variation was "due to an irregular supply of helmets". Workers had to wait for helmets, identifying the cause of the shortfall. The passage does not describe a corrective measure being implemented.

Step 3: Conclusion The function is controlling. The steps discussed are setting standards, measuring actual performance, comparing performance with standards, and analysing deviations.

Quick Tip to Solve: Match each case statement to a controlling step; finding the cause is analysing deviations, while actually fixing it would be corrective action.

25. 'Amarya Dairy Products' is a fantastic brand offering great quality dairy products. It is not only famous for the quality of its products, but also for retaining its employees in the organisation till their retirement. It believes in growth of its employees by providing them learning opportunities from time to time. For this the company divided the employees in two groups, Group-I and Group-II. Group-I having employees experience of more than 10 years and Group-II have employees who had joined the organisation just one year before.

The learning opportunities provided by the company to Group-II employees would help them in increasing their skills, attitudes and abilities to perform specific jobs, whereas the learning opportunities provided to Group-I employees would help them to grow in all respects. Identify and explain the two concepts of staffing function of management discussed above. [4 marks]

Solution:

Concept:

- **Staffing:** Training and development improve employees' competence through planned learning opportunities.
- **Training and development:** Training improves performance of a specific job; development promotes the overall growth of an employee and prepares the employee for greater responsibilities.

Step 1: Identify and explain training for Group-II **Training:** The opportunities for Group-II would increase their "skills, attitudes and abilities to perform specific jobs". This identifies training. Training is the process by which employees' aptitudes, skills and abilities to perform specific jobs are increased. It helps employees learn the knowledge and methods needed for their present work, improving their proficiency and effectiveness. Its focus is therefore narrow and job-oriented: the learning is directed towards performing a particular task better. The decisive evidence is the reference to specific job performance, rather than merely the fact that these employees joined a year before.

Step 2: Identify and explain development for Group-I **Development:** The opportunities for Group-I would help employees "to grow in all respects". This identifies development. Development is the learning process directed towards the growth of employees in every respect, including their knowledge, capabilities, attitudes and personality. It improves their capacity to understand work situations, exercise judgement and handle greater responsibilities in the future. Its scope is broader than training and it takes a long-term view of employees' progress. Thus, the experienced employees are being prepared for overall growth rather than only being taught how to carry out a specific present job.

Step 3: Conclusion Group-II receives **training** for specific job performance, while Group-I receives **development** for overall growth and future responsibilities.

Quick Tip to Solve: Link "specific jobs" to training and "grow in all respects" to development; experience alone does not determine the concept.

26. Rahul, the Managing Director of 'HariHar Ltd.' and Sahil, the finance manager were discussing about avenues of investing the idle funds of the company. Rahul was of the opinion that money should be invested in the capital market whereas Sahil felt that it would be better if the investment was made in the money market.

Explain with the help of any two points, giving reasons, why Sahil felt that investment in the money market is better. [4 marks]

Solution:

Concept:

- **Financial Markets:** The money market deals in short-term funds and monetary assets with a maturity of up to one year. It provides an avenue for investing temporary surplus funds.
- **Choice of investment:** Safety and liquidity are particularly relevant when a business invests idle funds that it may need for its operations.

Step 1: Explain the advantage of greater liquidity **Liquidity:** Money-market instruments are highly liquid and can generally be converted into cash readily. They are short-term instruments, and institutions such as the Discount and Finance House of India provide a ready market for them. Capital-market securities are also marketable, but are generally less liquid than money-market instruments. The case concerns the company's "idle funds", so the surplus may be temporary. Sahil would favour an investment that can be realised promptly when the company needs cash for its business. Greater liquidity therefore makes the money market a suitable parking place for this surplus.

Step 2: Explain the advantage of greater safety **Safety:** Money-market instruments generally carry a lower degree of risk because their maturity is short and their issuers are financially strong institutions, including the government, banks and established companies. The shorter period also reduces exposure to changes in market conditions. Capital-market investments involve longer commitments and generally greater risks relating to repayment or fluctuations in market prices. Sahil would want to preserve the company's idle funds so that they remain available when required. The relatively safer character of money-market instruments therefore supports his preference, even though their expected returns are normally lower. Greater safety does not mean that every money-market instrument is completely free from risk.

Step 3: Conclusion Sahil favours the money market because its **greater liquidity** and **greater safety** suit investment of the company's temporarily idle funds.

Quick Tip to Solve: For a company's idle surplus, explain liquidity and safety separately, linking each advantage to the need to recover the funds for business use.

27(a). Explain the following principles of 'Scientific Management' :

(i) Harmony, Not Discord

(ii) Cooperation, Not Individualism [4 marks]

Solution:

Concept:

- Principles of Management: Taylor's scientific management seeks prosperity for both management and workers through a scientific and cooperative approach to work.
- Harmony requires a change in attitudes, while cooperation translates mutual trust into joint efforts to achieve organisational objectives.

Step 1: (i) Harmony, Not Discord: replace conflict with mutual understanding **Harmony between management and workers:** Taylor recognised the possibility of conflict between managers and workers over issues such as wages and output. He advocated complete harmony between them because neither can prosper without the other. Both should realise that their interests are complementary and work for the prosperity of the organisation.

Step 2: (i) Mental revolution on both sides **Change in attitudes:** Harmony requires a mental revolution: management and workers must fundamentally change their thinking towards one another. Management should share the gains of increased productivity with workers, while workers should work wholeheartedly and avoid disruptive practices. Their attention should be on increasing the surplus together instead of quarrelling over its division.

Step 3: (ii) Cooperation, Not Individualism: work together **Cooperation instead of internal competition:** Management and workers should cooperate fully rather than pursue individual interests at the expense of the organisation. This principle extends harmony into actual working relationships. Managers should consult workers in decisions affecting them and encourage their constructive suggestions. Useful suggestions should be recognised and rewarded.

Step 4: (ii) Share responsibility and support one another **Joint effort and mutual support:** Workers should resist unnecessary demands and avoid strikes over minor matters. Management should adopt a helpful attitude and avoid treating workers unfairly. There should be an almost equal division of work and responsibility between management and workers, with each performing the work for which it is best suited and helping the other to improve efficiency.

Step 5: Conclusion Harmony, Not Discord establishes mutual trust through a mental revolution; Cooperation, Not Individualism requires management and workers to act jointly, share responsibility and support organisational prosperity.

Quick Tip to Solve: Explain harmony through a mental revolution, and cooperation through consultation, shared responsibility and mutual help.

OR

27(b). Explain the following principles of 'General Management' :

(i) Discipline

(ii) Remuneration of Employees [4 marks]

Solution:

Concept:

- Principles of Management: Fayol's general principles guide managers in coordinating people and work for organisational efficiency.
- Discipline concerns obedience and mutual compliance with agreements; remuneration concerns fair compensation that satisfies employees and remains affordable for the organisation.

Step 1: (i) Discipline: obedience to rules and agreements **Meaning and scope:** Discipline means obedience to organisational rules and employment agreements that are necessary for the working of the organisation. Employees should honour their commitments and observe rules, while management must also fulfil the obligations it has accepted. Thus discipline requires compliance and a respectful attitude on both sides, rather than merely punishment of employees.

Step 2: (i) Conditions for effective discipline **Good supervision and fair enforcement:** Discipline requires good supervisors at all levels, clear and fair agreements, and judicious application of penalties. For example, if workers agree to improve productivity in return for management's promise of higher wages, both must honour the agreement. Clear expectations and fair action promote orderly work and avoid confusion or arbitrary treatment.

Step 3: (ii) Remuneration of Employees: fair and reasonable pay **Fair compensation for all:** The overall pay and compensation of employees should be fair to both employees and the organisation. Employees should receive wages that give them at least a reasonable standard of living, while the remuneration should remain within the paying capacity of the company. The principle therefore balances the needs of employees with the financial interests of the organisation.

Step 4: (ii) Basis and effect of remuneration **Equity, satisfaction and motivation:** In fixing remuneration, management should consider prevailing wage rates, the cost of living, the work performed and the organisation's financial capacity. Fair and reasonable compensation keeps employees satisfied and motivated and promotes harmonious relations between workers and management. It helps employees contribute willingly towards organisational objectives.

Step 5: Conclusion Discipline requires both management and employees to obey fair rules and honour agreements. Remuneration of Employees requires fair, reasonable and affordable compensation that supports employee satisfaction and harmonious working relations.

Quick Tip to Solve: For discipline state its meaning and conditions; for remuneration explain fairness to employees as well as affordability for the organisation.

28. Identify and explain the dimension of business environment in each of the following situations :

(i) 'Alexa pay my electricity bill' is the latest feature of Alexa App which enables Amazon customers to pay their utility bills with 'Amazon Pay' just by speaking to Alexa.

(ii) Monika is working in a multi-national company. As an impact of work-from-home regime, she is now in a better position to inculcate moral values and healthy food habits in her children.

(iii) Atisha purchased a home and for this she took a loan from the bank. Monthly instalment on her loan increased as the banks increased the interest rate on loans.

(iv) 'Mother's milk is best for babies' is printed on the pack of 'First Bite' baby milk powder, produced by 'MQP Baby Food Ltd.' By doing this, the company is not only protecting the consumers' interests, but also necessarily informing its potential buyers about the importance of mother's milk. [4 marks]

Solution:

Concept:

- Business Environment: technological, social, economic and legal dimensions describe different external forces that influence business decisions and operations.
- Identify each dimension from the decisive feature in the situation: an innovation, values and habits, an economic variable, or a compulsory requirement.

Step 1: (i) Technological environment **Technological environment:** This includes forces relating to scientific improvements and innovations that provide new ways of producing goods and services and new methods of operating a business. The words "pay their utility bills ... just by speaking to Alexa" identify this dimension. Voice-enabled payment through the Alexa App is a technological innovation that changes the way customers can use the payment service.

Step 2: (ii) Social environment **Social environment:** This includes social forces such as traditions, values, social trends, society's expectations and lifestyles. The decisive words are "inculcate moral values and healthy food habits in her children". These concern values and lifestyle. The work-from-home regime gives Monika a better opportunity to influence these social aspects of her children's lives.

Step 3: (iii) Economic environment **Economic environment:** This includes interest rates, income, inflation and other economic factors affecting business and financial decisions. The words "banks increased the interest rate on loans" identify this dimension. A higher lending rate increases the interest burden on Atisha's home loan, causing the monthly instalment to rise. The direct influence here is the change in the cost of borrowing.

Step 4: (iv) Legal environment **Legal environment:** This includes laws, statutory requirements, administrative orders and judicial decisions within which businesses must operate. The company is "necessarily informing its potential buyers" by printing "Mother's milk is best for babies" on its baby milk powder pack. The compulsory nature of the declaration indicates a legal labelling requirement intended to protect consumers. It is therefore the legal dimension, even though the declaration also promotes a socially desirable message.

Step 5: Conclusion The dimensions are: (i) technological, (ii) social, (iii) economic and (iv) legal environment.

Quick Tip to Solve: Match voice-enabled services with technology, values and habits with society, interest rates with the economy, and compulsory label statements with law.

29(a). Explain the following features of planning :

(i) Planning is a primary function of management.

(ii) Planning is a mental exercise. [4 marks]

Solution:

Concept:

- Planning: deciding in advance what to do and how to do it. It sets objectives and develops an appropriate course of action to achieve them.
- Two features tested here are the primacy of planning among management functions and its intellectual nature as a mental exercise.

Step 1: (i) Planning is a primary function of management **Precedes other functions:** Planning lays down the objectives and the course of action for achieving them. It provides the basis for organising, staffing, directing and controlling; these functions are performed within the framework of the plans drawn up. Managers must know what is to be achieved before deciding how to arrange resources or guide employees.

Provides the framework: For example, the plan determines the work and resources required, so organising can assign activities and authority, and staffing can identify the people needed. Directing guides their efforts towards the planned objectives. Controlling compares actual performance with the standards established through planning and takes corrective action. This precedence and guiding role is called the primacy of planning. It does not mean that the other functions are unimportant; they remain interrelated with planning.

Step 2: (ii) Planning is a mental exercise **Requires thinking rather than guesswork:** Planning is an intellectual activity requiring foresight, imagination and sound judgement. It involves thinking before doing. Managers must anticipate future conditions, understand objectives and consider different ways of achieving them before committing resources to action.

Uses logical and systematic analysis: A plan is based on facts and information, forecasts, and reasonable assumptions about the future. Managers examine available alternatives, assess their likely consequences and choose a suitable course of action. Thus planning requires conscious thought and rational decision-making; it is not merely wishful thinking or an activity based on guesswork. Both creative thinking about possibilities and judgement about their feasibility are needed.

Step 3: Conclusion Planning is primary because it establishes the basis for the other management functions, and it is a mental exercise because it requires foresight, judgement and systematic thinking before action.

Quick Tip to Solve: Explain primacy through the dependence of organising, staffing, directing and controlling on plans; explain mental exercise through thinking, foresight and logical analysis.

OR

29(b). Explain the following points of the importance of planning :

(i) Planning reduces the risks of uncertainty.

(ii) Planning facilitates decision-making. [4 marks]

Solution:

Concept:

- Planning: importance of planning in reducing uncertainty and facilitating decision-making.
- Planning involves looking ahead, anticipating future conditions, identifying alternative courses of action and selecting the most suitable course to achieve objectives.

Step 1: (i) Planning reduces the risks of uncertainty **Anticipates future events:** Planning enables managers to look ahead and anticipate changes in the business environment. They forecast future conditions and consider their likely impact on the organisation before deciding what action to take. Thus, possible changes and problems do not come as a complete surprise.

Prepares an appropriate response: On the basis of these forecasts, managers develop courses of action to deal with future situations. By deciding in advance how to respond, the organisation can reduce the adverse effects of change. Planning cannot eliminate uncertainty or guarantee that forecasts will be correct, but it helps minimise the risks associated with uncertainty.

Step 2: (ii) Planning facilitates decision-making **Identifies alternatives:** Planning requires managers to consider the available alternative ways of achieving an objective. It encourages them to assess the likely consequences of each course of action instead of taking an immediate, arbitrary decision.

Helps select the best course: Managers evaluate the advantages, disadvantages and suitability of these alternatives in the light of objectives and anticipated conditions. They then choose the most appropriate alternative. Planning therefore provides a rational basis for decision-making: it makes clear both the available choices and the basis on which one should be selected.

Step 3: Conclusion Planning reduces uncertainty by anticipating change and preparing responses, and facilitates decision-making by evaluating alternatives and selecting the most appropriate course of action.

Quick Tip to Solve: For uncertainty, link forecasting with preparedness; for decision-making, link alternative courses with evaluation and selection.

30. After seeing an overwhelming response from people for their homes, Arun, the owner of a leading construction company 'Luxury At Home' decided to launch new projects in eight more cities across India. This decision would require additional investment of ₹ 150 crores. Shyam, the finance manager advised Arun that instead of raising the entire amount through equity, it would be better to raise funds with a judicious mix of 40% equity and 60% debt.

Shyam explained that since the company was earning sufficient profits, they could also take advantage of trading on equity to maximise earning per share. He also suggested that raising this debt through a loan from a financial institution would be better as this would involve a lower cost. He further added that debt was also beneficial as it would not dilute the management's holding in the company.

After giving due thought, Arun agreed to Shyam's suggestions.

(i) State the concept of financial management suggested by Shyam to Arun.

(ii) State any three factors discussed by Shyam in the above paragraph, affecting the concept identified in (i) above. [4 marks]

Solution:

Concept:

- Financial Management: capital structure is the proportion of debt and equity used to finance a business.
- The choice of this mix is influenced by return on investment, cost of debt and control, among other factors.

Step 1: (i) Identify the concept The concept suggested by Shyam is **capital structure**, that is, the mix of debt and equity in the company's financing. The decisive words are "a judicious mix of 40% equity and 60% debt". He is recommending the relative proportions of these two sources for financing the additional investment, rather than relying entirely on equity.

Step 2: (ii) State three factors affecting capital structure **Return on investment:** The case states that the company was "earning sufficient profits" and could use "trading on equity to maximise earning per share". When the return on investment exceeds the cost of debt, the use of debt can increase earnings per share available to equity shareholders. Thus, the relationship between the return earned and the interest cost influences the proportion of debt.

Cost of debt: Shyam suggests a loan from a financial institution because it would "involve a lower cost". A company able to borrow at a lower interest rate can use more debt, subject to its ability to service that debt. The borrowing cost therefore affects the desirability of debt in the financing mix.

Control: The case says that debt "would not dilute the management's holding in the company". Raising additional equity may dilute the existing owners' voting power and control. Debt does not confer ownership voting rights on lenders, so a management wishing to retain control may prefer debt over further equity, while keeping financial risk within acceptable limits.

Step 3: Conclusion (i) Capital structure. (ii) The three factors are return on investment, cost of debt and control, as indicated respectively by trading on equity, the lower borrowing cost and the absence of dilution of management's holding.

Quick Tip to Solve: A proposed debt-equity percentage identifies capital structure; match each case clue to the precise NCERT factor.

31(a). 'Principles of management guide managers in taking and implementing decisions.'
In the light of this statement, explain any four points of significance of the principles of management.

[6 marks]

Solution:

Concept:

- Principles of Management: significance of management principles as broad guidelines for managerial decisions and action.
- Principles draw on experience and experimentation. Managers apply them with judgement, adjusting their use to the needs of a particular situation.

Step 1: Providing managers with useful insights into reality **Providing managers with useful insights into reality:** Management principles give managers knowledge of how organisations and people work. They improve managers' understanding of managerial situations and behaviour, so that managers can learn from past experience without repeating every experiment themselves. For example, the principle of unity of command helps a manager understand why receiving orders from two superiors can create confusion and conflict. Such insights help managers make and implement practical decisions.

Step 2: Optimum utilisation of resources and effective administration **Optimum utilisation of resources and effective administration:** Human and material resources are limited and should be put to their best possible use. Management principles guide managers in reducing waste and increasing efficiency. For example, division of work promotes specialisation, while a balance between authority and responsibility supports effective performance. By making duties, authority and relationships clear, principles also help managers administer the organisation effectively and coordinate employees' efforts towards common objectives.

Step 3: Scientific decisions **Scientific decisions:** Management principles encourage thoughtful, balanced decisions based on facts, logic and an objective assessment of the situation. They reduce reliance on personal whims, prejudice and blind trial and error. Managers examine relevant information and use an appropriate principle as a guide while selecting a course of action. Since principles are flexible guidelines, the manager must still consider the actual circumstances before applying them; they do not supply a rigid formula for every decision.

Step 4: Meeting changing environmental requirements **Meeting changing environmental requirements:** Business operates in a dynamic environment, so managerial practices must respond to changes in technology, markets and people's expectations. Management principles are general and flexible rather than rigid prescriptions. They can therefore be modified in their application to suit changing conditions. For example, the use of division of work can be adapted to new technology and emerging job requirements. This flexibility helps managers maintain effective decisions and action as circumstances change.

Step 5: Conclusion The four points are useful insights into reality, optimum utilisation of resources and effective administration, scientific decisions, and meeting changing environmental requirements. Together, they explain how management principles guide both decision-making and implementation.

Quick Tip to Solve: Use the exact NCERT heading for each point, then explain how that benefit helps a manager decide or act.

OR

31(b). 'A good understanding of environment by business managers enables them not only to identify and evaluate, but also to react to the forces external to their firms.'

In the light of this statement, explain any four points of importance of business environment.

[6 marks]

Solution:

Concept:

- Business Environment: importance of understanding the external forces that influence an enterprise's performance and decisions.
- Environmental understanding helps a business recognise favourable developments, prepare for adverse changes and respond through suitable plans and resource use.

Step 1: Identifying opportunities and getting the first-mover advantage **It enables the firm to identify opportunities and get the first-mover advantage:** Opportunities are positive external trends or changes that help a firm improve its performance. Understanding the environment helps managers recognise such opportunities early and exploit them before competitors do. For example, an enterprise that detects growing demand for environmentally friendly products can introduce a suitable product early. By acting promptly, it may establish customer loyalty and a strong market position. This explains the statement's emphasis on identifying and evaluating external forces.

Step 2: Identifying threats and early warning signals **It helps the firm to identify threats and early warning signals:** Threats are external trends and changes that can hinder an enterprise's performance. Awareness of the environment alerts managers to developments such as new competitors, changing customer preferences or an adverse policy change. Early identification gives the firm time to prepare an appropriate response, improve its offering or revise its strategy. Managers can thus react before the adverse development seriously affects the business, instead of discovering the danger only after losses occur.

Step 3: Tapping useful resources **It helps in tapping useful resources:** An enterprise depends on its environment for inputs such as finance, materials, employees, machinery and energy. It supplies outputs such as goods and services to the environment in exchange. Environmental understanding helps managers obtain the required resources and use them effectively. It also helps them design outputs that the environment values and accepts. For example, understanding the labour market and available technology helps a firm arrange suitable staff and equipment for its operations.

Step 4: Coping with rapid changes **It helps in coping with rapid changes:** Modern business faces fast changes in technology, competition, customer expectations and markets. Continuous study of the environment enables managers to anticipate changes and develop appropriate responses. They can revise products, production methods and policies as conditions change, helping the organisation remain competitive. Thus, a good understanding of the environment supports the statement's requirement to react to external forces through timely and suitable managerial action.

Step 5: Conclusion The four points are identifying opportunities and getting the first-mover advantage, identifying threats and early warning signals, tapping useful resources, and coping with rapid changes. They show why managers must understand external forces and respond to them effectively.

Quick Tip to Solve: Distinguish opportunities from threats, then explain how environmental awareness improves the firm's response in each point.

32. Due to the increasing demand for healthy food products, Megha launched 'Good Bakers' after completing a culinary course at a reputed institute. Her main focus was on meeting customers' needs. So, she decided to manufacture healthy biscuits and cakes made from millets, without any artificial preservatives.

To capture a wider market and to offer her products, she not only planned to directly take orders from the customers, but also through retailers who would sell them to end consumers. This would ensure that the products are available at a place where the customers would like to buy them. In addition, Megha decided to offer free samples of her cakes and biscuits at stalls in prominent markets and shopping malls. This would increase visibility and attract potential buyers.

Explain the various components of marketing mix discussed in the above paragraph. [6 marks]

Solution:

Concept:

- Marketing Management: Marketing mix is the combination of product, price, place and promotion decisions used by a firm to achieve its marketing objectives in the target market.
- The case discusses product, place and promotion. Identify each component from the decision described and explain its role in satisfying customer needs.

Step 1: Product **Product:** This refers to the goods or services, or anything of value, offered to the market to satisfy customers' needs and wants. Product decisions include quality, features, design, branding, packaging and labelling. A suitable product offers the benefits that the target customers seek. In this case, Megha decides to manufacture "healthy biscuits and cakes made from millets, without any artificial preservatives". Her choice of ingredients and product quality addresses the growing demand for healthy food. Thus, she is deciding what to offer customers and which benefits the offering will provide.

Step 2: Place **Place:** This includes the activities that make products available to target customers at the right place and time. It involves selecting channels of distribution and managing physical distribution, including transportation, warehousing and inventory. Megha plans to "directly take orders from the customers" and also sell "through retailers who would sell them to end consumers". Direct orders represent a direct channel, while sales through retailers represent an indirect, one-level channel. These decisions make the products accessible where customers prefer to buy them and help the business reach a wider market.

Step 3: Promotion **Promotion:** This refers to communicating the availability, features and benefits of products to target customers and persuading them to buy. The promotion mix includes advertising, personal selling, sales promotion and public relations. Megha decides to "offer free samples of her cakes and biscuits at stalls in prominent markets and shopping malls". Free samples are a sales promotion technique: they allow potential buyers to try the products and encourage purchase. The stalls also increase product visibility and awareness, supporting her effort to attract customers.

Step 4: Conclusion The components discussed are **product, place and promotion**. Price is another component of the marketing mix, but the paragraph does not describe a pricing decision.

Quick Tip to Solve: Match what is offered to product, where it is available to place, and free samples to promotion; explain only the components supported by the case.

33. Ankita was the Managing Director at 'Tech Smart', an IT company. She was facing problems in retaining the employees in the company. While discussing this problem with her friend, Prachi, who had recently completed her MBA in Human Resource Management, she shared that employees in her company are not motivated enough even though the company was offering them good salaries and stability of income.

Prachi explained to Ankita that all the needs of the employees are not satisfied by money alone. Psychological, social and emotional factors also play an important role in providing motivation.

Explain any four such incentives which may help the company in retaining its employees and provide motivation as suggested by Prachi. [6 marks]

Solution:

Concept:

- Directing: Non-financial incentives satisfy employees' psychological, social and emotional needs, including recognition, belonging, status and personal growth.
- Good pay alone need not provide complete motivation. The company can supplement its financial rewards with non-financial incentives that improve involvement and willingness to remain.

Step 1: Identify the incentives suggested by Prachi Prachi is suggesting **non-financial incentives**. Her statement that "Psychological, social and emotional factors also play an important role in providing motivation" shows that employees need satisfaction beyond monetary rewards. The case already mentions "good salaries and stability of income", so further motivation can come from recognition, growth and involvement. Any four suitable non-financial incentives are explained below.

Step 2: Employee recognition programmes **Employee recognition programmes:** Recognition means acknowledging and appreciating employees' performance and achievements. Tech Smart can praise good work, congratulate employees publicly or award certificates for outstanding contributions. Recognition makes an employee feel that the organisation values the effort made. It satisfies the need for esteem and encourages the employee to continue performing well. Recognition should be timely, fair and linked to actual achievements so that it remains meaningful.

Step 3: Career advancement opportunity **Career advancement opportunity:** Managers should provide employees with opportunities to improve their skills and advance to higher positions. Tech Smart can offer training, development programmes and a clear path for promotion. The prospect of growth satisfies employees' needs for achievement and personal development. Employees who see a future for themselves within the organisation are encouraged to improve performance and are less likely to leave solely to obtain growth elsewhere.

Step 4: Employee participation **Employee participation:** This means involving employees in decision-making on issues related to their work. Tech Smart can invite suggestions and involve staff in suitable committees or discussions about work methods. Employees develop a sense of belonging when their opinions receive serious consideration. Participation uses their practical knowledge and encourages them to accept decisions and take responsibility for implementing them.

Step 5: Employee empowerment **Employee empowerment:** This means giving employees greater autonomy and authority to carry out their work. Tech Smart can allow employees to make appropriate decisions within their roles instead of seeking approval for every small matter. The trust placed in them makes them feel that their work is significant and that they are competent to handle it.

Empowerment builds confidence, initiative and commitment, which can support employee retention.

Step 6: Conclusion Four suitable non-financial incentives are **employee recognition programmes, career advancement opportunity, employee participation and employee empowerment**. These address needs beyond salary and can strengthen motivation and retention.

Quick Tip to Solve: Separate participation (a voice in decisions) from empowerment (authority and autonomy to act); explain how each satisfies a non-monetary need.

34(a). 'The management has to skilfully take advantage of both the formal and informal organisation so that work continues smoothly.'

Differentiate between 'formal' and 'informal' organization on the basis of the following :

(i) Meaning

(ii) Origin

(iii) Authority

(iv) Flow of communication

(v) Behaviour

(vi) Leadership [6 marks]

Solution:

Concept:

- Organising: Formal organisation is the deliberately designed structure of jobs and authority relationships through which organisational goals are achieved.
- Informal organisation is the network of social relationships that emerges spontaneously through interaction among employees. Both structures coexist within an enterprise.

Step 1: Distinguish their meaning, origin and authority Compare their nature, formation and sources of authority as follows.

Basis	Formal organisation	Informal organisation
Meaning	An authority structure deliberately created by management to accomplish organisational objectives.	A network of social relationships arising spontaneously through interaction among employees.
Origin	It originates as a result of management policies and the deliberate organising process.	It originates spontaneously as a result of social interaction and employees' personal relationships.
Authority	Authority arises from a person's position in the management hierarchy.	Authority or influence arises from personal qualities and acceptance by group members.

Step 2: Distinguish communication, behaviour and leadership Compare employee interaction and leadership as follows.

Basis	Formal organisation	Informal organisation
Flow of communication	Communication follows the officially prescribed channels and the scalar chain.	Communication flows in any direction through the grapevine; no fixed official route is prescribed.
Behaviour	Behaviour is guided by rules, regulations and procedures laid down by management.	Behaviour is guided by group norms, shared values and expectations of members.
Leadership	Managers occupy appointed leadership positions in the formal hierarchy.	Leaders emerge from the group because members accept their influence and personal qualities.

Step 3: Conclusion Formal organisation provides the official work structure; informal organisation provides social relationships. Management should use both to coordinate work smoothly.

Quick Tip to Solve: Pair each of the six printed bases with its contrast: deliberate versus spontaneous, positional versus personal, and prescribed channels versus grapevine.

OR

34(b). 'Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance.'

In the light of this statement, explain any four points that highlight the importance of delegation.

[6 marks]

Solution:

Concept:

- Organising: Delegation involves assigning responsibility, granting the authority necessary to perform the assigned work, and creating accountability for performance.
- Delegation allows a manager to share work with subordinates. The manager remains accountable to the superior for the responsibilities entrusted to the manager.

Step 1: Explain effective management and employee development **1. Effective management:** Delegation enables a manager to assign routine work and the corresponding authority to subordinates. This reduces the manager's workload and provides time to concentrate on important matters requiring managerial judgement. By attending to higher priority activities, the manager can function more effectively, while subordinates carry out the work entrusted to them. Thus, work is distributed instead of every decision and task remaining with one person.

2. Employee development: Delegation gives employees opportunities to use their abilities, exercise judgement and gain experience. By handling responsibility and making decisions within the authority delegated to them, they develop new skills and learn to solve problems. It helps prepare them for more demanding assignments and positions involving greater responsibility. Development therefore occurs through actual experience of performing entrusted work.

Step 2: Explain motivation and facilitation of growth **3. Motivation of employees:** Entrusting responsibility and authority expresses the superior's confidence in the subordinate. Recognition of

the employee's competence and the opportunity to take decisions can improve confidence and self-esteem. Employees feel that they are trusted and that their contribution matters to the organisation. This satisfaction encourages initiative and motivates them to improve their performance in the responsibilities assigned to them.

4. Facilitation of growth: Delegation develops a pool of competent and experienced managers who can take on important responsibilities. When the organisation expands, these trained employees can lead new activities, departments or projects. The enterprise is therefore better able to grow without depending on a few senior managers for every task. Delegation supports expansion by preparing the managerial talent needed to manage a larger scale of operations.

Step 3: Conclusion Delegation is important because it promotes effective management, develops employees, motivates them and facilitates organisational growth. These benefits arise when responsibility is accompanied by adequate authority and clear accountability for performance.

Quick Tip to Solve: For any four importance points, name each NCERT heading first, then explain how entrusting work and authority produces that benefit.