CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/5/2

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. 'All organisations exist for the performance of some work. Management translates this work in terms of goals to be achieved and assigns the means to achieve it.'

The dimension of management discussed above is : [1 mark]

(A) Management of work

(B) Management of people

(C) Management of operations

(D) Both (B) and (C)

Correct Answer: (A) Management of work

Solution:

Concept:

- Management has three dimensions: management of work, people and operations.
- Management of work translates the work of an organisation into goals and assigns the means to accomplish them.

Step 1: Identify the dimension The decisive words are "translates this work in terms of goals to be achieved and assigns the means to achieve it. These refer directly to identifying the work, setting its objectives and arranging the means for its completion.

Step 2: Check the alternatives Management of people, option (B), concerns dealing with employees as individuals and as a group. Management of operations, option (C), concerns transforming inputs into outputs through the production process. Neither is the specific dimension described, so the combination in (D) also fails.

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

Quick Tip to Solve: Match "work into goals and means with management of work; people and production processes identify the other two dimensions.

2. Read the following statements carefully :

Statement I : Workload analysis would enable an assessment of the number and types of human resources available for the performance of various jobs.

Statement II : Workforce analysis would reveal the number and types of human resources necessary for the performance of various jobs.

In the light of the above statements, choose the correct alternative from the options given below :

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

Solution:

Concept:

- Estimating manpower requirements involves workload analysis and workforce analysis.
- Workload analysis identifies the number and types of employees required; workforce analysis assesses those already available.

Step 1: Judge Statement I Statement I is false. Workload analysis studies the amount and nature of work to determine the number and types of human resources necessary to perform the jobs. It does not assess the existing availability of employees.

Step 2: Judge Statement II and compare options Statement II is also false. Workforce analysis assesses the number and types of human resources available in the organisation, including whether it is overstaffed or understaffed. The question has interchanged the two meanings. Option (A) incorrectly treats both statements as true; (C) and (D) incorrectly accept one of them.

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

Quick Tip to Solve: Remember: workload tells the staff required for the work; workforce tells the staff already available.

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

Assertion (A) : Training enhances employee productivity, both in terms of quality and quantity, leading to high profits for the organisation.

Reason (R) : Training is a systematic learning which is always better, as hit and trial methods without systematic learning lead to wastage of efforts and money.

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

(A) Both Assertion (A) and Reason (R) are false.

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

(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:

- Training and development: training is a systematic process of improving employees' skills and knowledge for a specific job.
- Its organisational benefits include higher productivity and reduced wastage.

Step 1: Judge the assertion Assertion (A) is true. Training improves employees' job-related knowledge and skills, enabling them to produce better-quality output and greater quantities. Higher productivity can contribute to higher organisational profits.

Step 2: Judge the reason Reason (R) is true. Systematic training teaches appropriate work methods in an organised way. Learning only by hit and trial wastes effort and money through avoidable mistakes and repeated unsuccessful attempts.

Step 3: Examine the explanatory link and alternatives The reason explains the assertion: systematic learning improves the way work is performed and reduces waste, supporting higher productivity and profitability. Thus (A) is wrong because neither statement is false; (B) is wrong because the reason is true; and (D) is wrong because the reason does explain the stated benefit.

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

Quick Tip to Solve: After judging both statements, trace systematic learning to better work methods, less waste and improved productivity.

4. Ramesh and Harish are best friends, both working at 'Anuja Garments Ltd.', a company manufacturing designer clothing for women. Ramesh works in the marketing department and aims to increase the sales by 15% by offering discounts. However, Harish, the finance manager is not giving approval for this discount as it would mean loss of revenue for the company. This kind of conflict arises in organisations where each department performs activities in isolation from the other. To resolve such issues, there is a need for linking the activities of various departments. The concept of management which integrates the efforts of different departments, and at different levels, is : [1 mark]

(A) Efficiency

(B) Effectiveness

(C) Controlling

(D) Coordination

Correct Answer: (D) Coordination

Solution:

Concept:

- Coordination integrates individual and departmental efforts to ensure unity of action in pursuing common organisational objectives.
- It links activities across departments and management levels.

Step 1: Identify the concept from the case The phrase "linking the activities of various departments identifies coordination. Ramesh wants discounts to increase sales, while Harish resists the discounts because of their effect on revenue. Their departmental efforts need to be integrated with the overall company objective.

Step 2: Eliminate the other concepts Efficiency in (A) means completing work with minimum resources and cost. Effectiveness in (B) concerns achieving desired objectives. Controlling in (C) compares actual performance with standards and addresses deviations. None specifically names the integration of conflicting departmental efforts described here.

Step 3: Conclusion The concept is coordination. Hence, the correct option is (D).

Quick Tip to Solve: When departmental interests conflict and activities must be linked for a common goal, identify coordination.

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

Assertion (A) : Marketing is only a post production activity.

Reason (R) : Marketing includes activities like identification of customer needs, collection of information for developing the product, designing suitable product package and giving it a brand name.

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 false.

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

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

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

Solution:

Concept:

- Marketing is a social process involving understanding and satisfying customer needs.
- Marketing functions begin before production and include gathering market information, product development, packaging and branding.

Step 1: Judge the assertion Assertion (A) is false. Marketing is not confined to activities after production. The business first identifies customer needs and gathers market information so that it can decide what product to develop and offer.

Step 2: Judge the reason Reason (R) is true. Identifying needs, collecting information for product development, designing packaging and giving a brand name are marketing activities. The reason accurately describes several functions that extend beyond merely selling a finished product.

Step 3: Check the alternatives The reason also demonstrates why the word "only makes the assertion false. Options (A) and (C) wrongly treat the assertion as true. Option (B) wrongly rejects the true reason. Only the combination of a false assertion and a true reason fits the statements.

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

Quick Tip to Solve: Test the word "only: identifying customer needs before making the product immediately disproves the assertion.

6. 'Management helps in providing good quality products and services, creates employment opportunities, adopts new technology for the greater good of the people and leads to the path towards growth and development.'

The point of importance of management highlighted above is : [1 mark]

(A) Management helps in achieving group goals.

(B) Management increases efficiency.

(C) Management helps in achieving personal objectives.

(D) Management helps in development of society.

Correct Answer: (D) Management helps in development of society.

Solution:

Concept:

- Importance of management: management helps in the development of society.
- Societal development includes useful goods and services, employment, beneficial technology and economic growth.

Step 1: Identify the beneficiary The case highlights "good quality products and services, "employment opportunities and technology "for the greater good of the people. These benefits extend to consumers, workers and society, rather than only to the organisation or an individual employee.

Step 2: Match the importance and reject alternatives Development of society includes meeting social needs and contributing to growth and development. Option (A) focuses on achieving organisational group goals; (B) on minimising resource costs; and (C) on employees' personal objectives. These are valid benefits of management but do not capture the broad societal contribution emphasised in this passage.

Step 3: Conclusion Management helps in the development of society. Hence, the correct option is (D).

Quick Tip to Solve: Words such as employment, public welfare, beneficial technology and social growth point to development of society.

7. 'Maira Electronics' is a manufacturer of smartphones and famous for its quality. It is a large organisation, so each and every piece produced cannot be checked. So the company made a policy that out of 500 smartphones produced a day, 20 smartphones would be randomly selected for a quality check.

Identify the step of controlling process discussed above : [1 mark]

(A) Setting performance standards

(B) Measurement of actual performance

(C) Comparing actual performance with standards

(D) Taking corrective action

Correct Answer: (B) Measurement of actual performance

Solution:

Concept:

- The controlling process includes setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.
- Sample checking is a technique for measuring actual performance.

Step 1: Identify what the company is doing The company selects "20 smartphones out of "500 smartphones produced a day for a "quality check. Examining a representative sample enables it to assess actual product quality when checking every unit is impractical. This is measurement of actual performance.

Step 2: Distinguish the other steps Option (A) would specify the quality level to be achieved; choosing a sample size is the measurement arrangement, not that quality standard. Option (C) would compare measured quality with the predetermined standard. Option (D) would remedy an identified deviation. Neither a comparison result nor corrective action is described.

Step 3: Conclusion The step is measurement of actual performance. Hence, the correct option is (B).

Quick Tip to Solve: A sample inspection collects evidence of actual output; comparison and correction come after measurement.

8. 'Payal Ltd.' plans to start manufacturing solar panels which will require a significant amount of investment in machinery. The machinery which they intend to purchase is newly launched in the market. It will not only reduce the cost per unit, but also double the production as compared to the machines used by other solar panel manufacturers already existing in this business.

The Chief Executive Officer of 'Payal Ltd.' asked the finance manager to forecast the fund requirements for purchasing the above machinery to ensure that enough funds are available at the right time.

From the following, identify the concept about which the Chief Executive Officer is discussing with the finance manager : [1 mark]

(A) Capital Budgeting

(B) Trading on Equity

(C) Financial Planning

(D) Wealth Maximisation

Correct Answer: (C) Financial Planning

Solution:

Concept:

- Financial Management: financial planning estimates future fund requirements and arranges their availability at the right time.
- The distinguishing clue must be matched to the precise NCERT concept rather than to an incidental benefit.

Step 1: Identify the task given to the finance manager The CEO asks the manager to 'forecast the fund requirements' and ensure 'enough funds are available at the right time'. This is financial planning: estimating how much finance will be needed and when it must be available. The reference to advanced machinery supplies the context for estimating the requirement.

Step 2: Separate the other financial concepts Capital budgeting (A) evaluates long-term investment proposals; here the highlighted task is forecasting finance rather than deciding whether a particular project is profitable. Trading on equity (B) uses fixed-charge funds to raise equity shareholders' returns. Wealth maximisation (D) is the financial management objective of increasing shareholders' wealth. Neither debt use nor an increase in share value is described.

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

Quick Tip to Solve: Financial planning forecasts the funds and timing; capital budgeting selects the long-term investment.

9. Veena received ₹ 40 lakhs as a gift from her father. She was discussing various avenues of investing her money with her brother. He advised Veena to invest her money in shares of Moreso Ltd., a reputed company. He further added that it would not only generate good returns over the long term, but could easily be sold whenever required.

Identify the function of stock exchange being highlighted by Veena's brother in the above case :

[1 mark]

(A) Pricing of securities

(B) Providing liquidity and marketability to existing securities

(C) Safety of transactions

(D) Providing scope for speculation

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

Solution:

Concept:

- Financial Markets: a stock exchange provides a continuous market for buying and selling existing securities.
- The distinguishing clue must be matched to the precise NCERT concept rather than to an incidental benefit.

Step 1: Locate the decisive clue The shares 'could easily be sold whenever required'. The stock exchange brings buyers and sellers together so that Veena can convert her existing shares into cash. This is liquidity and marketability; it gives investors confidence that an investment need not remain locked in permanently.

Step 2: Eliminate the remaining functions Pricing of securities (A) concerns determination of prices through demand and supply, which is not the clue here. Safety of transactions (C) concerns regulated dealings and protection through exchange rules. Providing scope for speculation (D) allows lawful speculative activity within safeguards; the case instead stresses easy resale whenever funds are needed. The prospect of long-term returns does not change the resale function.

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

Quick Tip to Solve: Easy resale or conversion of shares into cash signals liquidity and marketability.

10. 'XYZ Ltd.' is using registers to record attendance of the employees even in this new tech era. The Human Resource Manager is facing problems due to the dishonest behaviour of employees as they are writing wrong working hours. Not only this, the Production Manager is also reporting about the theft of raw materials every day. To resolve these types of problems, the company started using biometric attendance system and installed cameras at important areas to keep an eye on the activities of the employees. This helped in reducing dishonest behaviour of the employees to a large extent.

The point of importance of controlling highlighted in the above case is : [1 mark]

(A) Improving employee motivation

(B) Ensuring order and discipline

(C) Making efficient use of resources

(D) Accomplishing organisational goals

Correct Answer: (B) Ensuring order and discipline

Solution:

Concept:

- Controlling: controlling ensures order and discipline by checking undesirable employee behaviour.
- The distinguishing clue must be matched to the precise NCERT concept rather than to an incidental benefit.

Step 1: Connect the controls with their purpose Employees record 'wrong working hours', and raw materials are stolen. Biometric attendance and cameras monitor behaviour, making employees aware that their activities are checked. The resulting reduction in dishonest behaviour shows how controlling ensures order and discipline within the organisation.

Step 2: Distinguish the other benefits Improving employee motivation (A) involves clear standards and appraisal that help employees understand expected performance. Making efficient use of resources (C) focuses on reducing wastage and ensuring resources meet standards. Accomplishing organisational goals (D) concerns keeping overall activities on track. Although these may benefit indirectly, the explicit focus here is curbing dishonesty, theft and indiscipline.

Step 3: Conclusion Ensuring order and discipline Hence, the correct option is (B).

Quick Tip to Solve: When controls reduce theft, dishonesty or misconduct, choose ensuring order and discipline.

11. 'ABC Ltd.', a large multinational company had approximately 1000 employees in each of its departments. The company had five departments. In this organisation, leave applications of the employees had to be approved by the departmental heads. This approval is delayed due to large number of leave applications in each department. This led to a lot of dissatisfaction amongst the employees. To resolve this problem, the Chief Executive Officer of the organisation called a meeting of all departmental heads. It was decided to assign the approval of leave applications up to 10 days to the managers at all levels. It was also decided that it will be assigned till the lowest level throughout the organisation. Since the decision-making authority was shared with lower levels and placed nearest to the point of action, they could approve or deny leave applications without requiring higher level approval. After the policy change, employees at all levels noticed an improvement in the sanctioning of leave applications.

The concept of management which led to an improvement in the speed and flexibility of leave approval is : [1 mark]

(A) Organising

(B) Delegation

(C) Decentralisation

(D) Authority

Correct Answer: (C) Decentralisation

Solution:

Concept:

- Organising: decentralisation is the systematic delegation of authority throughout all levels of the organisation.
- The distinguishing clue must be matched to the precise NCERT concept rather than to an incidental benefit.

Step 1: Identify the extent of authority sharing Leave approval is assigned to managers 'at all levels' and 'till the lowest level throughout the organisation'. This systematic dispersal of decision-making authority is decentralisation. Decisions are made nearest to the point of action, reducing the need to wait for departmental heads and improving speed and flexibility.

Step 2: Distinguish related terms Delegation (B) is the transfer of authority from a superior to a subordinate, whereas the case stresses a policy extending it systematically throughout the organisation. Organising (A) is the broader function of arranging activities, resources and relationships. Authority (D) is the right to command and take decisions, rather than the organisation-wide distribution of that right. The breadth of the policy decides the answer.

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

Quick Tip to Solve: A systematic policy sharing decisions down to the lowest levels indicates decentralisation.

12. Identify the external source of recruitment displayed in the picture given below : [1 mark]



(A) Advertisement

(B) Direct recruitment

(C) Web publishing

(D) Labour contractors

Correct Answer: (C) Web publishing

Solution:

Concept:

- Staffing: web publishing is an external recruitment source that uses websites and employment portals to connect employers with candidates.
- The distinguishing clue must be matched to the precise NCERT concept rather than to an incidental benefit.

Step 1: Read the recruitment medium in the picture The illustration shows a person using a computer and a website described as a job search engine. Such employment portals publish vacancies and allow job seekers and employers to find one another online. The specific external source shown is therefore recruitment through web publishing.

Step 2: Rule out the other sources Advertisement (A), as distinguished in the textbook list, refers to recruitment notices in newspapers and professional journals; the visible medium here is an online job portal. Direct recruitment (B) involves applicants assembling at the workplace in response to a notice. Labour contractors (D) supply workers through intermediaries who maintain contact with labourers. Neither workplace assembly nor a contractor appears in the image.

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

Quick Tip to Solve: A recruitment website or job search portal points to web publishing as the external source.

OR

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 12.

12 (Visually Impaired). 'Many reputed business organisations keep a database of unsolicited applicants in their offices and can be screened to fill the vacancies as they arise.'

The external source of recruitment discussed above is : [1 mark]

(A) Casual callers

(B) Recommendations of employees

(C) Direct recruitment

(D) Labour contractors

Correct Answer: (A) Casual callers

Solution:

Concept:

- Staffing: casual callers are an external source of recruitment comprising unsolicited applicants whose details an organisation keeps for future vacancies.
- An unsolicited application is submitted without a specific invitation to apply for an advertised vacancy.

Step 1: Identify the source from the case The decisive clues are 'a database of unsolicited applicants' and 'screened to fill the vacancies as they arise'. Reputed organisations retain such applications and examine suitable candidates when positions become available. This is the NCERT description of casual callers, so option (A) matches the case.

Step 2: Eliminate the remaining options Recommendations of employees (B) involve existing employees suggesting potential candidates; no employee referral is mentioned. Direct recruitment (C) involves a notice at the workplace and applicants assembling there, usually for casual vacancies. Labour contractors (D) maintain contact with workers and supply them to organisations. The case describes stored unsolicited applications, rather than workplace assembly or recruitment through a contractor.

Step 3: Conclusion The external source of recruitment is casual callers. Hence, the correct option is (A).

Quick Tip to Solve: Match a retained database of unsolicited applications with casual callers; an employee referral must explicitly involve a recommendation.

13. 'Business Environment includes both specific and general forces.' Which of the following force is not included in specific forces ? [1 mark]

(A) Legal conditions

(B) Investors

(C) Competitors

(D) Suppliers

Correct Answer: (A) Legal conditions

Solution:

Concept:

- Business Environment: specific forces directly affect individual enterprises, while general forces influence enterprises broadly and indirectly.
- The distinguishing clue must be matched to the precise NCERT concept rather than to an incidental benefit.

Step 1: Classify the excluded force Legal conditions form part of the general business environment. Laws and regulations establish the broad framework within which businesses operate and influence enterprises across the economy. They are therefore outside the textbook category of specific forces, even though compliance can have major effects on an individual firm.

Step 2: Check all the specific forces Investors (B) directly supply financial resources to a particular business. Competitors (C) directly affect its market position and competitive choices. Suppliers (D) directly provide the inputs it needs. All three belong to the specific environment because they have a direct and immediate bearing on individual enterprises, unlike the general legal conditions asked about here.

Step 3: Conclusion Legal conditions Hence, the correct option is (A).

Quick Tip to Solve: Investors, customers, competitors and suppliers are specific; legal conditions are general.

14. Read the following statements carefully :

Statement I : Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them.

Statement II : Process of organising involves a series of steps that need to be taken in order to achieve the desired goals.

In the light of the above statements, choose the correct alternative from the options given below :

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

Solution:

Concept:

- Organising: the function groups activities and establishes authority relationships through an orderly sequence of steps.
- The distinguishing clue must be matched to the precise NCERT concept rather than to an incidental benefit.

Step 1: Assess Statement I Statement I correctly describes organising. It defines and groups the activities needed to carry out plans and establishes authority relationships. This clarifies who will perform each task, who reports to whom and how the parts of the enterprise will work together. Hence Statement I is true.

Step 2: Assess Statement II and the alternatives Statement II is also true. Organising proceeds through identification and division of work, departmentalisation, assignment of duties and establishment of reporting relationships so that desired goals can be achieved. Option (B) incorrectly rejects both statements. Option (C) wrongly rejects Statement II, while option (D) wrongly rejects Statement I. Thus only the alternative accepting both statements fits the organising function.

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

Quick Tip to Solve: Check both the definition and the sequence of organising; both statements match the textbook.

15. 'Monitoring plans is important to ensure that objectives are achieved' is one of the steps in the process of planning.

Identify the step from the following : [1 mark]

(A) Setting objectives

(B) Developing premises

(C) Implementing the plan

(D) Follow-up action

Correct Answer: (D) Follow-up action

Solution:

Concept:

- Planning: follow-up action involves monitoring plans to ensure that the desired objectives are achieved.
- Monitoring compares actual progress with the plan so that implementation can be reviewed and corrective action taken.

Step 1: Identify the clue in the statement The words 'Monitoring plans' and 'ensure that objectives are achieved' describe the review of progress after a plan is put into operation. This review is the follow-up action step of planning.

Step 2: Eliminate the other stages Setting objectives (A) specifies the desired results at the beginning. Developing premises (B) establishes assumptions about future conditions. Implementing the plan (C) puts the chosen plan into action. None of these names the subsequent monitoring and review described here.

Step 3: Conclusion The step is follow-up action. Hence, the correct option is (D).

Quick Tip to Solve: Link monitoring and review of an operating plan directly to follow-up action.

16. Match the type of plan given in Column I with its meaning given in Column II.

Column I	Column II
1. Policy	(i) A comprehensive plan for accomplishing an organization's objectives.
2. Procedure	(ii) A detailed statement about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.
3. Programme	(iii) A general statement that guides thinking or channelises energies towards a particular direction.
4. Strategy	(iv) Routine steps on how to carry out activities.

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

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

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

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

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

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

Solution:

Concept:

- Planning: different types of plans differ in their scope, purpose and level of detail.
- A policy guides thinking, a procedure prescribes a sequence, a programme combines project details and a strategy gives a comprehensive direction.

Step 1: Match policy and procedure Policy is a general statement that guides thinking or channelises energies in a particular direction: 1-(iii). Procedure states the routine steps for carrying out activities: 2-(iv).

Step 2: Match programme and strategy A programme details the objectives, policies, procedures, rules, tasks, resources and budget of a project: 3-(ii). Strategy is a comprehensive plan for accomplishing organisational objectives: 4-(i). Option (B) wrongly treats policy as strategy; (C) treats policy as programme; (D) treats policy as procedure. Each therefore fails the first match itself.

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

Quick Tip to Solve: First match policy with guidance and procedure with routine steps; then distinguish the detailed programme from the comprehensive strategy.

17. _____ is the instrument, which is traded in Money Market. [1 mark]

(A) Equity share

(B) Debenture

(C) Commercial paper

(D) Bond

Correct Answer: (C) Commercial paper

Solution:

Concept:

- Financial Markets: the money market deals in short-term funds and monetary assets with maturity up to one year.
- Commercial paper is an unsecured, negotiable, short-term promissory note issued by large and creditworthy companies.

Step 1: Identify the short-term instrument Commercial paper is issued to raise short-term finance, including funds for working capital. Its short maturity and negotiability make it a money-market instrument.

Step 2: Check the alternatives Equity shares (A) represent ownership capital and are capital-market securities. Debentures (B) and bonds (D), in the classification tested here, raise medium- or long-term debt funds and belong to the capital market. They do not give the money-market instrument sought by the question.

Step 3: Conclusion Commercial paper is traded in the money market. Hence, the correct option is (C).

Quick Tip to Solve: For a money-market MCQ, look for short-term instruments such as commercial paper, treasury bills and call money.

18. The process of holding securities in an electronic form is known as : [1 mark]

(A) Rolling settlement

(B) Registration

(C) Dematerialization

(D) Depository

Correct Answer: (C) Dematerialization

Solution:

Concept:

- Financial Markets: dematerialisation converts physical security certificates into electronic records held with a depository through a depository participant.
- The name of the process differs from the institution that maintains electronic holdings and from the settlement of trades.

Step 1: Identify the process described Holding securities in electronic form is associated with

dematerialisation. Physical certificates are converted into electronic balances, which can then be maintained and transferred without handling paper certificates.

Step 2: Distinguish the other options Rolling settlement (A) concerns completion of securities transactions within a fixed period after the trade date. Registration (B) records ownership or membership and does not name this conversion. A depository (D) is the institution that holds securities electronically, whereas the question asks for the process.

Step 3: Conclusion The process is dematerialisation (printed as Dematerialization). Hence, the correct option is (C).

Quick Tip to Solve: When the question asks for a process, choose dematerialisation; when it asks for the institution, think depository.

19. 'If the shareholders in general desire that at least a certain amount is paid as dividend, the companies are likely to declare the same.'

The above statement highlights which of the following factors affecting dividend decision ? [1 mark]

(A) Amount of Earning

(B) Shareholders' Preference

(C) Stability of Earnings

(D) Stability of Dividends

Correct Answer: (B) Shareholders' Preference

Solution:

Concept:

- Financial Management: the dividend decision determines the portion of earnings distributed to shareholders and the portion retained in the business.
- Shareholders' preference for current dividend income or capital gains can influence the amount of dividend declared.

Step 1: Read the evidence about shareholders The words 'shareholders in general desire that at least a certain amount is paid as dividend' directly identify shareholders' preference. The company considers their desire for current income when deciding its payout.

Step 2: Separate the other dividend factors Amount of earning (A) concerns the level of profits available for distribution. Stability of earnings (C) concerns predictability of profits. Stability of dividends (D) concerns maintaining a consistent dividend pattern. The statement instead focuses on what shareholders want, so none of these alternatives captures its stated reason.

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

Quick Tip to Solve: Identify whose preference the case mentions: a desired payout by shareholders points to shareholders' preference.

20. Which of the following statement is incorrect in respect of responsibility of a consumer while purchasing, using and consuming goods and services ? [1 mark]

(A) Check ISI mark on food products before buying.

(B) Ask for a cash-memo on purchase of goods and services.

(C) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.

(D) Assert yourself to ensure that you get a fair deal.

Correct Answer: (A) Check ISI mark on food products before buying.

Solution:

Concept:

- Consumer Protection: a responsible consumer checks appropriate quality certification, reads labels and obtains proof of purchase.
- Certification must suit the product: ISI relates to specified industrial and other products; food products require appropriate food-quality or safety certification.

Step 1: Locate the incorrect certification advice Option (A) incorrectly tells consumers to check the ISI mark on food products as a general rule. In the textbook classification, ISI is associated with products such as electrical appliances, while food products carry appropriate food-related certification; AGMARK, for example, indicates quality of agricultural products.

Step 2: Verify the remaining responsibilities Obtaining a cash memo (B) provides evidence of purchase needed for a complaint. Reading labels (C) informs the consumer of price, quantity and dates for safe and informed use. Asserting oneself for a fair deal (D) helps prevent exploitation. All three are valid consumer responsibilities, so they cannot be the incorrect statement requested.

Step 3: Conclusion The incorrect statement is checking the ISI mark on food products before buying. Hence, the correct option is (A).

Quick Tip to Solve: For an incorrect-statement question, check whether the quality mark named actually belongs to that product category.

21. 'Essential Ltd.' is a company that has been manufacturing cooking oil for the past 20 years and 700 employees are working in it. Recognising the growing demand for hair care products, they developed a unique formula for hair growth useful even for people who are bald. They want to keep the formula confidential to maintain a competitive edge. As they plan to immediately launch the hair oil in the market, they needed reliable people who could be evaluated more accurately and be placed in this specialised department quickly. For this, the Chief Executive Officer consulted the Human Resource Manager, Karn. Karn suggested that there are five reliable and hard-working employees who will be a good fit for this specialised department. Also, there are two employees in the production department to whom they can give the responsibility of heading this department with higher pay. The company is committed to improve motivation, loyalty and satisfaction level of employees.

Explain any two sources of recruitment discussed above which will help 'Essential Ltd.' to recruit reliable people in this specialised department. [3 marks]

Solution:

Concept:

- Staffing: recruitment means searching for prospective employees and stimulating them to apply for jobs. Internal recruitment fills vacancies from the organisation's existing employees.
- Transfer and promotion are the two internal sources discussed here. They use known employees whose abilities and work records can be evaluated more accurately.

Step 1: Explain transfer **Transfer:** Transfer means shifting an employee from one job, department or location to another without a substantive change in status, responsibility or salary. It is a horizontal movement. Karn's suggestion that "five reliable and hard-working employees" would be a good fit for the specialised department points to transferring existing employees to it. The company already knows their reliability and performance, so it can place suitable people quickly while protecting its confidential formula.

Step 2: Explain promotion **Promotion:** Promotion means shifting an employee to a higher position carrying greater responsibility, status and pay. It is a vertical movement. The proposal to give two production employees "the responsibility of heading this department with higher pay" indicates promotion. Opportunities for advancement motivate employees to improve performance and strengthen their loyalty and satisfaction, matching the company's stated commitment. Unlike a transfer, this move increases responsibility and remuneration.

Step 3: Conclusion The two sources are **transfer** of suitable existing employees and **promotion** of employees to head the new department. Both are internal sources of recruitment.

Quick Tip to Solve: Link a move at the same level to transfer; heading a department with higher pay identifies promotion.

22(a). Differentiate between 'Primary Market' and 'Secondary Market' on any three basis. [3 marks]

Solution:

Concept:

- Financial Markets: the primary market deals in new securities issued for the first time; the secondary market deals in the purchase and sale of existing securities.
- The distinction concerns the securities traded, the parties to a transaction and whether the company receives fresh funds.

Step 1: Set out three bases of distinction

Basis	Primary market	Secondary market
Nature of securities	New securities are issued for the first time. It is also called the new issues market.	Existing securities, already issued, are bought and sold. It is also called the stock market.
Parties involved	Securities are sold by the issuing company to investors, directly or through intermediaries.	Securities are exchanged between investors; the issuing company is generally not a party to the transaction.
Flow of funds	The issuing company receives the proceeds, raising funds for purposes such as setting up or expanding business.	Sale proceeds go to the selling investor. The transaction does not directly raise fresh capital for the issuing company.

Step 2: Explain the significance of the distinction A company issuing shares to investors obtains finance through the primary market. When an investor later sells those shares to another investor, the transaction belongs to the secondary market. The second transaction provides liquidity to the investor, while the money passes to the seller. Thus, a change of ownership of existing shares must not be confused with a fresh issue by the company.

Step 3: Conclusion The primary market creates and sells new securities to raise funds for the issuer; the secondary market transfers existing securities between investors.

Quick Tip to Solve: Ask who receives the money: the issuing company indicates a primary issue; an existing investor indicates secondary trading.

OR

22(b). Differentiate between 'Capital Market' and 'Money Market' on the following basis :

(i) Duration

(ii) Liquidity

(iii) Safety [3 marks]

Solution:

Concept:

- Financial Markets: the capital market provides medium- and long-term finance, whereas the money market provides short-term finance.
- Liquidity means the ease of converting a security into cash; safety refers to the risk attached to the

investment. Compare the markets on these bases separately.

Step 1: Compare the markets on the specified bases

Basis	Capital market	Money market
Duration	Deals in medium- and long-term securities with maturity periods of more than one year. Equity shares have no fixed maturity.	Deals in short-term instruments having a maturity period of up to one year.
Liquidity	Securities are relatively less liquid than money-market instruments, though a stock exchange provides a market for many capital-market securities.	Instruments are highly liquid and can generally be converted into cash readily.
Safety	Investments generally carry higher risk, including fluctuations in market value and possible default.	Investments are generally safer, with lower risk because of their short duration and the financial standing of the issuers.

Step 2: Interpret the comparison The capital market channels funds into longer-term requirements through instruments such as shares and debentures. The money market meets short-term requirements through instruments such as Treasury bills and commercial paper. Short maturity helps money-market instruments remain relatively liquid and less exposed to long-term uncertainties. These are comparative features: describing the money market as safer does not mean that every instrument is entirely free of risk.

Step 3: Conclusion The capital market is for longer-term finance and is relatively less liquid and riskier; the money market is for finance up to one year and is relatively more liquid and safer.

Quick Tip to Solve: Remember the one-year boundary first; associate the money market with high liquidity and comparatively lower risk.

23(a). Explain the following factors affecting the fixed capital requirements of a company :

(i) Scale of Operations

(ii) Technology Upgradation

(iii) Diversification [3 marks]

Solution:

Concept:

- Financial Management: fixed capital is the investment in long-term assets such as land, buildings, plant and machinery.
- The scale of business, the speed of technological change and diversification affect how much money a company must commit to fixed assets.

Step 1: Explain scale of operations **(i) Scale of operations:** A company operating on a large scale generally needs more space, larger plant and machinery and other fixed assets to support its higher output. Its fixed capital requirement is therefore higher. A small-scale company can carry on

production with fewer assets and a smaller investment in them. Thus, other things remaining the same, an increase in the scale of operations increases the funds needed for fixed assets.

Step 2: Explain technology upgradation **(ii) Technology upgradation:** In industries where technology changes rapidly, existing assets become obsolete sooner and need frequent replacement or upgradation. Companies in such industries must provide more fixed capital to acquire modern equipment and remain competitive. Companies using relatively stable technology normally face less frequent replacement and therefore need less fixed capital for this purpose.

Step 3: Explain diversification **(iii) Diversification:** When a company enters new product lines or new areas of business, it generally needs additional facilities, equipment and machinery appropriate to the new activities. Consequently, diversification usually increases its fixed capital requirement. A company continuing with its existing range of activities may be able to use its present assets without making this additional investment.

Step 4: Conclusion Large-scale operations, frequent technological upgradation and diversification generally increase a company's fixed capital requirements.

Quick Tip to Solve: For each factor, link the business change directly to the additional long-term assets or replacement investment it requires.

OR

23(b). Explain the following factors affecting the capital budgeting decision of a company :

(i) Cash flows of the project

(ii) The rate of return

(iii) The investment criteria involved [3 marks]

Solution:

Concept:

- Financial Management: a capital budgeting decision selects long-term investment projects whose benefits are expected over a number of years.
- Project appraisal examines the expected cash flows, the return earned and the investment criteria used to assess the proposal.

Step 1: Explain cash flows of the project **(i) Cash flows of the project:** Investment in fixed assets involves cash outflows now and cash inflows over the project's life. The company must carefully estimate and analyse the amount and timing of these receipts and payments before choosing a project. The expected stream of cash flows helps assess whether the project can recover the funds invested and generate adequate benefits over the years.

Step 2: Explain the rate of return **(ii) The rate of return:** The return expected from each investment proposal must be estimated, together with the risk associated with earning it. The company compares the expected returns of alternative projects. Other things remaining the same, including risk, the project offering the higher rate of return is preferred. An apparently attractive return must therefore be considered in relation to the risks involved.

Step 3: Explain the investment criteria involved **(iii) The investment criteria involved:** Capital budgeting proposals are evaluated by applying suitable investment appraisal techniques. These techniques involve considering the amount invested, the expected cash flows, the interest rate and the method of calculation. The company compares proposals using the selected criteria and chooses the investment that best satisfies them; the technique used can influence which proposal is accepted.

Step 4: Conclusion Capital budgeting requires analysis of project cash flows, expected rates of return and the investment appraisal criteria used to select a suitable project.

Quick Tip to Solve: Keep cash flows, rate of return and appraisal criteria distinct: receipts and payments, profitability with risk, and the method of evaluation.

---

24. Vani, after completing her course in 'Nutrition and Fitness', wanted to launch millet-based healthy snacks. She researched a lot and started manufacturing a range of healthy, crunchy millet namkeens and named them 'Pure Millets'. The name reflected natural ingredients, appealing to health-conscious consumers. The millet snacks were packaged in eco-friendly, bio-degradable packets with a reasonable feature, ensuring freshness and convenience. The stickers on the packets displayed the name with the tagline 'Power Your Health' and nutritional information and certifications like 'Organic Certified' to establish the product's health benefits. 'Pure Millets' got off to a good start.

In addition to features and quality, various other product-related important decisions are discussed in the above case. Identify and give the meaning of any three such decisions. [3 marks]

Solution:

Concept:

- Marketing Management: product decisions include branding, packaging and labelling, in addition to the features and quality of the product.
- Branding distinguishes the product, packaging provides its container or wrapper, and labelling describes and identifies it.

Step 1: Identify branding and give its meaning **Branding:** Branding is the process of giving a product a name, term, sign, symbol, design or a combination of these to identify it and distinguish it from competing products. The case states that Vani *'named them Pure Millets'*. This distinctive name identifies her range of snacks and communicates the natural-ingredient positioning to health-conscious consumers.

Step 2: Identify packaging and give its meaning **Packaging:** Packaging means designing and developing the container or wrapper for a product. The case says that the snacks were *'packaged in eco-friendly, bio-degradable packets'*, ensuring freshness and convenience. These packets form the packaging: they contain and protect the snacks and make the product convenient for consumers to handle and use.

Step 3: Identify labelling and give its meaning **Labelling:** Labelling means designing the label to be put on the package. A label identifies the product and provides information about it, including its contents, qualities and other relevant details. The case mentions *'stickers on the packets'* displaying the name, the tagline *'Power Your Health'*, nutritional information and *'Organic Certified'* certification.

These stickers perform the labelling function.

Step 4: Conclusion The three product-related decisions are branding (Pure Millets), packaging (the eco-friendly packets) and labelling (the informative stickers on the packets).

Quick Tip to Solve: Match a product name with branding, its container or wrapper with packaging, and the information printed on its sticker with labelling.

25. 'Smart Aids' was a reputed company manufacturing e-walking sticks. It is now providing e-walking sticks with sensors or voice feedback for helping people with vision or mobility issues to move around more safely and easily. The company has been earning good profits.

After its great success, it wants to diversify and enter into the manufacturing of high-class smart watches. These smart watches will help older people to live independently and safely while staying connected to their loved ones. These smart watches would also monitor their health by sending emergency alerts, reminding them to take medicines, etc. and help in managing their health issues. It will encourage physical activity and offer voice assistance for easy use and keep them connected with family through calls and messages.

Though there are very homogeneous functions in both the products, they set up a separate business unit for these watches. Both units will have separate managers responsible for the performance of their units and have authority over the unit. Each manager would be accountable for profits, revenues and costs of their unit. This type of organisational structure would help the organisation to add new units without interrupting the existing operations.

(i) State the type of organisational structure suitable for 'Smart Aids' giving reason in support of your answer.

(ii) Give two advantages of the organisational structure, which are highlighted in the above case.

[4 marks]

Solution:

Concept:

- Organising: A divisional structure groups activities around distinct products. Each product division has its own manager and the functions needed to operate its business.
- Divisional responsibility facilitates accountability for results and enables expansion by adding new product divisions.

Step 1: (i) Identify the suitable structure and justify it **Divisional structure:** Smart Aids is diversifying from e-walking sticks into smart watches. It is setting up a separate business unit for watches, with a separate manager responsible for each unit's performance. Thus, activities are grouped according to products, rather than grouping all similar functions across the company. The presence of homogeneous functions in the two products does not change this product-based grouping. Each division can carry out the functions required for its own product under its divisional head.

Step 2: (ii) Explain the first highlighted advantage **Accountability for performance:** The case states, 'Each manager would be accountable for profits, revenues and costs of their unit.' Since revenues and costs relating to different divisions can be identified, each division's profit and performance can

be assessed separately. This helps management fix responsibility for a division's results and take suitable corrective action when performance is unsatisfactory. Authority over the unit accompanies this responsibility.

Step 3: (ii) Explain the second highlighted advantage **Facilitates expansion and growth:** The case states that the structure helps 'to add new units without interrupting the existing operations.' A new product can be placed in a new division with its own manager and operating arrangements. Therefore, the smart-watch business can be added while the established e-walking-stick division continues functioning. The same structure can accommodate further product units as the company grows.

Step 4: Conclusion Smart Aids should adopt a **divisional structure** because it operates separate product units. The highlighted advantages are **accountability for divisional performance** and **expansion and growth without disturbing existing operations**.

Quick Tip to Solve: Identify product-wise units first; then link separate profit responsibility to accountability and adding new units to expansion.

---

26. Sara decided to purchase vegetables online from 'Desi Store' which is a popular online store. She ordered 1 kg carrots, 1 kg potatoes and 2 kg tomatoes. After receiving the order, Sara realised that the weight of the vegetables was much less than what she had ordered. On checking the website again, she found that on the website, only price of each item is stated, but the weight or quantity of the vegetables against the price is not specified.

She contacted the customer care center for her grievance. The customer care center representative simply told that weight of the vegetables varies, so it is not indicated against the price.

Sara asked the representative many times to speak to a supervisor, but every time the representative stated that no one is available. Sara was disappointed and left a review on the website and filed a case in the District Forum.

Identify and explain the two rights of the consumer discussed above. [4 marks]

Solution:

Concept:

- Consumer Protection: The right to be informed entitles consumers to complete information about goods, including their quantity and price, so that they can make informed purchases.
- The right to be heard entitles consumers to voice complaints and have their interests considered through appropriate grievance mechanisms.

Step 1: Identify and explain the right to be informed **Right to be informed:** A consumer has the right to complete information about a product, including its ingredients, quality, quantity, price and other relevant particulars. This enables an informed decision and protects the consumer against misleading or incomplete disclosures. The case states that 'only price of each item is stated', while 'the weight or quantity of the vegetables against the price is not specified.' Desi Store therefore fails to provide essential quantity information. Its explanation that the weight varies does not remove Sara's right to know what quantity she is buying for the stated price. The short delivery reinforces the importance of

this information.

Step 2: Identify and explain the right to be heard **Right to be heard:** A consumer has the right to file a complaint and to be heard when dissatisfied with goods or services. Business firms should provide suitable grievance arrangements so that consumer interests receive due consideration. Sara contacted customer care and repeatedly asked to speak to a supervisor, but was told that 'no one is available.' This indicates the failure to provide an effective opportunity for her grievance to be heard. Her website review and complaint before the District Forum are ways of voicing that grievance and seeking its consideration. The key clue is the repeated denial of access to someone who could consider her complaint.

Step 3: Conclusion The two rights discussed are the **right to be informed**, concerning disclosure of the quantity supplied for the price, and the **right to be heard**, concerning a proper opportunity to present her grievance.

Quick Tip to Solve: Link missing weight information to the right to be informed, and refusal to hear the complaint to the right to be heard.

27. **'Omara Ltd., is a garments company that produces jackets from organic, recycled and sustainable materials. The sourcing of eco-friendly fabrics, slower production process and focus on ethical labour practices result in big time gap between receipt of fabrics and their conversion into jackets. Since 'Omara Ltd.' faces intense competition in the garment industry, it has to hold large stocks of jackets to meet urgent orders from customers. To further attract and retain customers, 'Omara Ltd.' offers liberal credit terms to them. Thus 'Omara Ltd.' is able to perform much better than its competitors.**

(i) State whether the total working capital requirement of 'Omara Ltd.' will be high or low.

(ii) Justify your answer given in (i) above by identifying and stating any three factors affecting working capital requirements discussed in the above case. [4 marks]

Solution:

Concept:

- Financial Management: working capital requirements depend on the time for which funds remain invested in current assets before being recovered through sales and collections.
- A longer production cycle, intense competition requiring higher inventories, and liberal credit to customers increase the funds needed for day-to-day operations.

Step 1: (i) State the working capital requirement Omara Ltd.'s total working capital requirement will be **high**. Its funds remain tied up in production, finished jackets and amounts due from customers. It therefore needs substantial funds to continue paying for materials, labour and other operating expenses while waiting for cash to return.

Step 2: (ii) Identify and explain three factors in the case

- **Production cycle:** The case states that there is a "big time gap between receipt of fabrics and their conversion into jackets". A longer production cycle keeps funds invested in raw materials and work-in-progress for a longer period. Consequently, more working capital is required to sustain production before finished goods can be sold.

- **Level of competition:** Omara faces "intense competition" and must "hold large stocks of jackets to meet urgent orders". In a highly competitive market, the firm needs sufficient finished goods to serve customers promptly. This larger inventory ties up more funds and raises its working capital requirement.
- **Credit policy:** The company "offers liberal credit terms" to customers. Credit sales delay the collection of cash and keep funds blocked in trade receivables for longer. The company must finance operations during this waiting period, increasing its working capital requirement.

Step 3: Conclusion Omara Ltd. requires **high working capital** because of its **long production cycle, high level of competition and liberal credit policy**.

Quick Tip to Solve: Match each case clue to the asset holding up cash: slow production to work-in-progress, competition to stock, and liberal credit to receivables.

28(a). Explain the following features of 'Management' :

(i) Management is a goal-oriented process.

(ii) Management is a group activity. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: management coordinates the efforts of people to achieve organisational objectives effectively and efficiently.
- Being goal-oriented and being a group activity are characteristics of management: common objectives give direction, while coordinated individual efforts produce collective results.

Step 1: (i) Management is a goal-oriented process

- **Common organisational purpose:** Every organisation exists to achieve certain basic objectives. These may include earning profit, providing education or delivering a service, depending on the organisation. Management works towards these stated purposes rather than carrying out unrelated activities.
- **Direction of efforts towards objectives:** The objectives should be simple and clearly stated. Management unites the efforts of different individuals and directs their activities towards achieving these common objectives. Planning, organising, staffing, directing and controlling therefore contribute to the same organisational goals. For example, in a business, production and sales activities are coordinated to meet its sales objective.

Step 2: (ii) Management is a group activity

- **Coordinated collective effort:** An organisation consists of people with different needs and abilities who work together. Achieving its objectives requires the collective effort of this group. Management coordinates their individual efforts so that the group works towards a common purpose rather than as disconnected individuals.
- **Teamwork with changing needs:** Management enables members to grow and develop as their needs and opportunities change. It encourages them to make their best contribution to the group, while maintaining coordination. For example, purchasing, production and sales employees must

work together to ensure that goods are made and delivered to customers as planned.

Step 3: Conclusion Management is **goal-oriented** because it directs activities towards clearly stated organisational objectives, and a **group activity** because these objectives are achieved through coordinated collective effort.

Quick Tip to Solve: Explain goal orientation through the common objective, and group activity through the coordination of individual contributions towards that objective.

OR

28(b). Explain the following features of 'Principles of Management' :

(i) Universal applicability

(ii) Flexible [4 marks]

Solution:

Concept:

- Principles of Management: the nature of management principles, particularly universal applicability and flexibility.
- Management principles are general guidelines for managerial decisions and behaviour. Their application depends on the organisation and the situation rather than following a rigid prescription.

Step 1: (i) Universal applicability **Universal applicability:** Principles of management apply to all types of organisations, whether business or non-business, small or large, public or private, manufacturing or service organisations. They are also applicable at different levels of management. For example, division of work can improve efficiency in a factory, a hospital or a school by allowing people to specialise in their tasks. However, the extent and manner of application vary with the nature of the organisation, the scale of operations and the situation. Thus, universal applicability means broad relevance across organisations; it does not mean that every principle must be applied in an identical way everywhere.

Step 2: (ii) Flexible **Flexible:** Management principles are not rigid rules that must be followed in exactly the same way in every situation. They can be modified by a manager according to the needs of the organisation and the prevailing circumstances. Managers have discretion in applying them and must exercise judgement. For example, the appropriate degree of centralisation depends on such factors as the size of the business and the competence of its employees; a manager may decentralise more as the organisation expands. This flexibility allows principles to provide useful guidance while accommodating differences in people, tasks and the business environment.

Step 3: Conclusion Management principles are universally applicable because they guide management in every kind of organisation, and flexible because their application can be adapted to the circumstances.

Quick Tip to Solve: For universal applicability state where principles apply; for flexibility explain how managers adapt their application to the situation.

29(a). Explain the following principles of 'General Management' :

(i) Authority and Responsibility

(ii) Unity of Direction [4 marks]

Solution:

Concept:

- Principles of Management: Fayol's principles of authority and responsibility and unity of direction.
- Authority concerns the right to command and obtain obedience, whereas responsibility concerns the obligation to perform assigned duties. Unity of direction coordinates activities serving the same objective.

Step 1: (i) Authority and Responsibility **Authority and Responsibility:** Authority is the right to give orders and obtain obedience; responsibility is the obligation to carry out assigned duties. According to Fayol, authority and responsibility should go hand in hand, with a balance between the two. A person entrusted with responsibility must have sufficient authority to discharge it. Excess authority without corresponding responsibility may lead to its misuse, while responsibility without adequate authority makes effective performance difficult. For example, a production manager responsible for meeting a production target must have the authority to allocate work and direct the workers concerned. Managers should be accountable for the exercise of the authority given to them.

Step 2: (ii) Unity of Direction **Unity of Direction:** All units and activities working towards the same objective should have one head and one plan. Activities with a common purpose must be directed through a unified plan under a single responsible manager. This ensures unity of action, coordination and the effective use of resources, while preventing unnecessary duplication of effort. For example, a company manufacturing cars and motorcycles should have a separate divisional head and plan for each product division; within the car division, all activities aimed at its common objective should follow that division's one plan under its one head. Unity of direction concerns coordination of activities with a common objective, whereas unity of command concerns an employee receiving orders from only one superior.

Step 3: Conclusion Authority and responsibility require a balance between the right to command and the duty to perform. Unity of direction requires one head and one plan for activities sharing the same objective.

Quick Tip to Solve: Link authority to the power needed for an assigned duty; remember unity of direction as one head and one plan for a common objective.

OR

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

(i) Scientific decisions

(ii) Meeting changing environment requirements [4 marks]

Solution:

Concept:

- Principles of Management: the significance of management principles in making scientific decisions and responding to changes in the business environment.
- Management principles are flexible guidelines based on observation and experimentation. Managers apply them with judgement according to the circumstances.

Step 1: (i) Scientific decisions **Logical and objective basis:** Principles of management help managers take thoughtful decisions based on logic and an objective assessment of the situation, rather than on personal bias, prejudice or guesswork. As these principles are developed through observation and experimentation, they provide tested guidance for analysing managerial problems.

Timely and justifiable decisions: A scientific decision is appropriate to the situation, can be justified by the reasoning behind it and serves the purpose for which it is taken. Principles guide managers in assessing alternatives and selecting a suitable course of action. For example, the principle of division of work gives a reasoned basis for assigning specialised tasks to people according to their competence.

Step 2: (ii) Meeting changing environment requirements **Flexible application:** Management principles are general guidelines rather than rigid prescriptions. Managers can modify their application to meet the needs of a changing business environment. Thus, they help an organisation respond to changes in technology, competition, customer expectations and the workforce.

Adaptation to circumstances: Managers use the underlying principle while choosing a method suited to present conditions. For example, division of work has evolved to include outsourcing some activities to specialised agencies, allowing the enterprise to concentrate on its core activities. The principle continues to guide management even though the way it is applied changes with business requirements.

Step 3: Conclusion Management principles support scientific, reasoned and justifiable decisions, while their flexibility helps managers meet changing environmental requirements.

Quick Tip to Solve: For scientific decisions stress logic and objectivity; for environmental change stress flexible application of the same underlying principles.

30. 'AK Ltd.' is a large company with 4000 workers engaged in production of wide varieties of spices used in the Indian kitchen. The company has been struggling with a persistent issue of workers making unreasonable demands and going on strike frequently. To address the issue, the Chief Executive Officer appointed a management expert who will analyse the situation and suggest solutions to overcome the problem. The management expert analysed the situation and suggested that the company could resolve the issue by following Taylor's principle of Scientific Management which suggested complete mental revolution on the part of both management and workers. It means that management and workers should transform their thinking, where even trade unions will not think of going on strike. It emphasises that prosperity of the employer cannot exist for a long time unless it is accompanied by the prosperity for the employees and vice versa.

(i) Identify and explain the principle of Scientific Management discussed in the above case by the management expert.

(ii) Also, explain another principle suggested by Taylor, which is an extension of the principle identified in (i) above. [4 marks]

Solution:

Concept:

- Principles of Management: Taylor's scientific management seeks to replace conflict between management and workers with harmony and cooperation.
- Harmony, not discord requires a mental revolution; cooperation, not individualism extends this principle into joint effort and shared responsibility.

Step 1: (i) Identify the principle and its evidence **Harmony, not discord:** This is the principle discussed by the management expert. The decisive clue is the recommendation of a "complete mental revolution on the part of both management and workers". The statement that the employer's prosperity must be accompanied by employees' prosperity also reflects their common interests.

Explanation: Management and workers should recognise that conflict harms both sides and that their interests are interdependent. A mental revolution means a complete change in their attitudes towards one another: each should regard the other as a partner in achieving organisational prosperity. Management should share the gains of the enterprise with workers, while workers should work sincerely and avoid unreasonable demands and strikes. Mutual trust and concern replace discord.

Step 2: (ii) Explain the extending principle **Cooperation, not individualism:** This principle is an extension of harmony, not discord. It calls for complete cooperation between management and workers instead of individualism or unhealthy competition. Both should recognise that they need each other and work together for the organisation's success.

Application: Management should consult workers in decisions affecting them, encourage constructive suggestions and reward suggestions that substantially reduce costs. Workers should accept suitable changes and contribute to the enterprise's development rather than obstruct it. There should be an almost equal division of work and responsibility between management and workers: management should work side by side with workers, helping them instead of leaving them to carry out work without support. Thus, cooperative action makes the shared interests recognised under harmony effective in practice.

Step 3: Conclusion (i) The principle is **Harmony, not discord**. (ii) Its extension is **Cooperation, not**

individualism, which translates mutual trust into cooperative work and shared responsibility.

Quick Tip to Solve: Link mental revolution to Harmony, not discord; when asked for its extension, explain Cooperation, not individualism.

31(a). Explain any four limitations of 'Planning' function of management. [6 marks]

Solution:

Concept:

- Planning fixes objectives and decides in advance the course of action needed to achieve them. NCERT identifies limitations that restrict its usefulness even when managers plan carefully.
- The following four limitations concern rigidity, environmental change, employee creativity and the cost of preparing plans.

Step 1: Planning leads to rigidity **Planning leads to rigidity:** Once a well-defined plan is framed, managers and employees are expected to work within its prescribed framework. A predetermined course of action can leave little room for individual initiative or discretion. Employees may continue following an existing procedure even when circumstances call for a different approach. Thus, strict adherence to a plan can make the organisation inflexible and delay a timely response to a new situation.

Step 2: Planning may not work in a dynamic environment **Planning may not work in a dynamic environment:** Business operates in an environment that changes continuously. Government policies, competition, customer preferences, technology and economic conditions may change after a plan is prepared. Plans depend on assumptions about future conditions, but managers cannot predict every change accurately. An unexpected change may make the assumptions invalid and render the planned course of action unsuitable. Plans therefore need review and revision; their existence alone cannot overcome external uncertainty.

Step 3: Planning reduces creativity **Planning reduces creativity:** Planning is generally undertaken by top management, while other levels are expected to implement the plans. When employees merely carry out decisions already made for them, they may neither develop new ideas nor exercise independent judgement. Their own suggestions and initiative can receive less encouragement. Repeated reliance on plans supplied from above may therefore reduce creative thinking among those responsible for implementation.

Step 4: Planning involves huge costs **Planning involves huge costs:** Preparing a plan requires expenditure on collecting and analysing information, forecasting, consultation and evaluating alternative courses of action. Managers also devote substantial time and effort to these activities, and expert advice may be needed. If plans are not implemented or if their expected benefits are small, this expenditure can become wasteful. The expected gains from a plan must therefore justify the resources spent in preparing it.

Step 5: Conclusion The four limitations are rigidity, difficulty in coping with a dynamic environment, reduced creativity and high planning costs.

Quick Tip to Solve: Recall four separate limitations, and explain how each can obstruct effective action rather than merely listing its name.

OR

31(b). Explain any four points of importance of 'Organising' function of management. [6 marks]

Solution:

Concept:

- Organising identifies and divides work, groups related activities, assigns duties and establishes reporting relationships so that plans can be implemented.
- Its importance can be explained through specialisation, clear working relationships, effective administration and development of personnel.

Step 1: Benefits of specialisation **Benefits of specialisation:** Organising systematically allocates work among employees. Repeated performance of a specific task enables an employee to gain experience and expertise in that task. The division of work prevents one person from having to perform every activity and makes it possible to assign duties according to skill. This builds proficiency, improves the quality of performance and contributes to higher productivity. Specialisation therefore arises from a clear division of work followed by regular practice.

Step 2: Clarity in working relationships **Clarity in working relationships:** Organising establishes who is responsible for which task and who reports to whom. Clear authority and responsibility relationships make communication easier and remove uncertainty about the person from whom instructions should be received. Employees understand the extent of their authority as well as their accountability. This reduces confusion and friction over duties, facilitates coordination between different jobs and helps individuals work together towards organisational objectives.

Step 3: Effective administration **Effective administration:** A properly designed organisation structure clearly specifies jobs and related duties. Managers can then ensure that work is assigned to suitable people and that activities are performed in a coordinated manner. Clarity of authority and responsibility helps avoid duplication and confusion in carrying out tasks. Employees know the contribution expected of them, while managers can direct and supervise work more effectively. This supports orderly operations and smoother administration throughout the organisation.

Step 4: Development of personnel **Development of personnel:** Organising facilitates delegation of authority. By entrusting suitable duties and the necessary authority to subordinates, managers give them opportunities to make decisions and develop their abilities. Handling responsibility increases their confidence and prepares them for more demanding roles. Delegation also reduces the routine workload of managers, enabling them to concentrate on significant issues and explore new areas. Organising thus develops both the present capabilities and future potential of organisational personnel.

Step 5: Conclusion Organising promotes specialisation, clarifies working relationships, enables effective administration and develops personnel through delegation.

Quick Tip to Solve: For each importance point, link the organising activity to its benefit: division to expertise, reporting to clarity and delegation to development.

32. 'Sound-it' is a startup planning to launch a line of wireless earbuds. Before launching, the company decides to gather feedback from customers through online surveys and interactive websites. From this research, they identify their target market as young, tech-savvy people, who value good sound quality, durability and comfort. The research also shows that customers want earbuds with long battery life, water resistance and the ability to easily connect with other devices.

Using this information, 'Sound-it' designs earbuds that meet these needs of the customer. The earbuds are comfortable with soft eartips, include advanced noise-cancelling technology, a lightweight design and good water-resistance, making them perfect for sports and outdoor activities. The design not only improves sound and comfort, but also gives it a competitive edge in the market.

It decides to charge an amount lower than their competitors to attract customers who want good quality at an affordable price after evaluating various factors like production costs, competitor prices, the product's utility and demand, etc.

To inform the customers about its earbuds, 'Sound-it', runs digital advertisement on social media and offers special discounts and free gift offers on its earbuds.

Identify and explain the four marketing functions discussed in the above case. [6 marks]

Solution:

Concept:

- Marketing Management: Functions of marketing convert information about customer needs into a suitable market offering.
- The case illustrates gathering and analysing market information, product designing and development, pricing of product, and promotion.

Step 1: Gathering and analysing market information **Gathering and analysing market information:** This function involves systematically collecting and analysing information about customers, competitors and market conditions to identify opportunities and make marketing decisions. Sound-it decides to "gather feedback from customers through online surveys and interactive websites". Its analysis identifies young, tech-savvy customers and their preference for long battery life, water resistance and easy connectivity. Thus, the research establishes who the prospective buyers are and what benefits the product should provide.

Step 2: Product designing and development **Product designing and development:** This function concerns developing a product and deciding its design, shape, size, features and other characteristics so that it satisfies customer needs. An effective design improves usefulness and attractiveness and can create a competitive advantage. The case states that Sound-it "designs earbuds that meet these needs of the customer". Soft eartips, advanced noise-cancelling technology, a lightweight design and water resistance translate the research findings into specific product features suitable for sports and outdoor activities.

Step 3: Pricing of product **Pricing of product:** Pricing means determining the amount customers must pay to obtain the product. A marketer considers production costs, the product's utility and demand, competition and other relevant factors before fixing the price. Sound-it decides to "charge an amount lower than their competitors" after evaluating these factors. The affordable price aims to attract buyers seeking good quality at a reasonable cost; it is a decision about the product's selling price.

Step 4: Promotion **Promotion:** Promotion involves informing potential customers about a product's availability, features and benefits and persuading them to purchase it. Its tools include advertising, personal selling, sales promotion and public relations. Sound-it "runs digital advertisement on social media" and "offers special discounts and free gift offers". The advertisements communicate the offering to buyers, while the discounts and gifts are sales-promotion incentives encouraging purchase. These are two tools within the same marketing function of promotion.

Step 5: Conclusion The four functions are gathering and analysing market information, product designing and development, pricing of product, and promotion.

Quick Tip to Solve: Match each paragraph to its main activity: researching needs, designing features, fixing price, and communicating or offering purchase incentives.

33(a). Explain any four points of importance of 'Directing' function of management. [6 marks]

Solution:

Concept:

- Directing: Importance of the managerial function that instructs, guides, inspires and motivates employees to achieve organisational objectives.
- Directing turns plans into performance through supervision, motivation, leadership and communication.

Step 1: Directing initiates action **Initiates action:** Directing sets the organisation's work in motion. Planning determines what is to be done, organising establishes working relationships and staffing places people in positions. However, employees must be guided and instructed to begin performing their assigned duties. Through directing, managers communicate instructions, clarify responsibilities and guide subordinates towards the planned objectives. Thus, directing converts decisions and preparations into actual work at every level of management.

Step 2: Directing integrates employee efforts **Integrates employee efforts:** Different employees and departments perform different tasks, but their work must contribute to the organisation's common objectives. Directing helps managers guide individual efforts so that each person's performance supports the work of others. Clear instructions, leadership and communication reduce duplication and conflicting actions. For example, directing can align production employees' work with the sales team's delivery commitments. Consequently, the organisation obtains the benefit of coordinated effort instead of a collection of disconnected activities.

Step 3: Directing helps employees realise their potential **Helps employees realise their potential:** Employees may possess abilities that remain underused without suitable encouragement and guidance. Through motivation and effective leadership, a manager recognises their abilities, encourages initiative and inspires employees to contribute fully. Supportive supervision and communication help them overcome difficulties and improve their performance. By using appropriate financial and non-financial incentives, managers encourage employees to apply their knowledge and skills enthusiastically. This benefits both individual development and organisational performance.

Step 4: Directing facilitates introduction of changes **Facilitates introduction of needed changes:**

Employees may resist a new technology, work method or organisational arrangement because of uncertainty or concern about its effects. Directing helps managers explain the need for change, communicate its benefits and address employees' doubts. Through persuasion, motivation and guidance, managers secure employees' willing cooperation and prepare them to adopt the new way of working. This makes the transition easier and allows the organisation to respond effectively to changing business conditions.

Step 5: Conclusion Directing initiates action, integrates employee efforts, helps employees realise their potential and facilitates the introduction of needed changes.

Quick Tip to Solve: Explain each importance through its effect on work: starting action, combining efforts, developing potential and gaining acceptance of change.

OR

33(b). Explain the following styles of 'Leadership' :

(i) Autocratic leadership

(ii) Democratic leadership

(iii) Laissez-faire leadership [6 marks]

Solution:

Concept:

- Directing: leadership is the process of influencing people's behaviour so that they willingly strive to achieve organisational objectives.
- Leadership styles differ in the authority retained by the leader, employee participation in decisions and the freedom given to subordinates.

Step 1: (i) Autocratic leadership **Authority and decision-making:** An autocratic or authoritarian leader makes decisions himself and gives orders which subordinates are expected to obey. Decision-making authority is centralised in the leader, with little participation by employees.

Direction and communication: The leader tells employees what to do and how to do it, closely supervises their work and determines policies without consulting them. Communication is mainly one-way, from the superior to subordinates. This style can facilitate quick decisions, especially when immediate action is required or employees need close guidance.

Step 2: (ii) Democratic leadership **Participation in decisions:** A democratic or participative leader develops action plans and makes decisions in consultation with subordinates. Employees are encouraged to express opinions and offer suggestions, while the leader guides and coordinates the group's effort.

Direction and communication: The leader respects employees' views and uses two-way communication. Participation promotes cooperation, motivation and a sense of responsibility because employees have contributed to decisions. The leader still exercises leadership and retains responsibility; consultation does not mean abandoning control over organisational objectives.

Step 3: (iii) Laissez-faire leadership **Freedom to subordinates:** A laissez-faire or free-rein leader

gives subordinates a high degree of independence to formulate their own objectives and decide how to achieve them within the organisation's overall goals. Employees largely make their own decisions and manage their activities.

Role of the leader: The leader supports the group by supplying information and resources and acts as a contact with the external environment. Direct interference and supervision are minimal, and group members communicate freely. This style is useful where employees are competent, self-motivated and capable of exercising responsibility without constant guidance.

Step 4: Conclusion Autocratic leadership centralises decisions in the leader; democratic leadership involves employees through consultation; and laissez-faire leadership gives employees substantial freedom with the leader providing support.

Quick Tip to Solve: Compare the three styles through who decides: the leader, the leader with employees, or employees with the leader's support.

---

34. Identify and explain the communication barrier discussed in each of the following cases and name the broad category of each communication barrier to which they relate :

(i) 'MNB Ltd.' launches a new software programme using Artificial Intelligence. Ajit, the Project Manager, explains the new software system to employees in the organisation, using terms like 'cloud computing', 'machine learning', etc. Since the employees are not specialists in this field, they cannot understand the actual meaning of many words used by the Project Manager.

(ii) Rajesh, working as Production Manager in 'KLM Ltd.', approaches the General Manager, Kumar to discuss the problems he is having at work. Rajesh tells him about the increasing workload and the need for additional support. However, Kumar who is working on an important file, keeps glancing at it while nodding occasionally. He does not make eye contact with Rajesh or stop reading the file. He responds saying "Okay Rajesh, just try to manage". Rajesh leaves the office feeling disappointed.

(iii) Suresh is a senior technician at a company manufacturing spare parts of a car. He suggests a new method for reducing the idle time on machines to increase efficiency. He presents his idea during a team meeting and is appreciated by everyone. But the manager Pankaj, does not offer any appreciation award for his brilliant idea. [6 marks]

Solution:

Concept:

- Directing: communication barriers obstruct the effective exchange and understanding of information between a sender and a receiver.
- Semantic barriers concern the words and symbols used; psychological barriers arise from the mental state of the parties; personal barriers arise from personal factors affecting communication.

Step 1: (i) Technical jargon - semantic barrier **Identification and category:** The barrier is **technical jargon**, which belongs to the broad category of **semantic barriers**. Specialists sometimes use technical language while communicating with people who are not specialists in that field. The receiver cannot understand the message because the specialised words do not convey a clear meaning to that receiver.

Evidence from the case: Ajit uses terms such as 'cloud computing' and 'machine learning', but the

employees 'are not specialists in this field'. Therefore, they cannot understand the actual meaning of many of his words. The difficulty lies in the specialised vocabulary used to encode the message, rather than in the software itself. Ajit should explain the system in familiar language and clarify the technical terms.

Step 2: (ii) Lack of attention - psychological barrier **Identification and category:** The barrier is **lack of attention**, which belongs to the broad category of **psychological barriers**. When a receiver is preoccupied and does not listen attentively, the message is not properly understood. Merely hearing words or nodding does not establish effective communication.

Evidence from the case: Kumar 'keeps glancing' at the important file, 'does not make eye contact' and does not stop reading while Rajesh describes his workload and need for support. His distracted reply, 'just try to manage', shows that he has not given Rajesh's problem adequate attention. Kumar should set aside the file and listen carefully before responding to the concerns raised.

Step 3: (iii) Lack of proper incentives - personal barrier **Identification and category:** The barrier is **lack of proper incentives**, which belongs to the broad category of **personal barriers**. When employees receive no reward, recognition or encouragement for useful suggestions, they may become unwilling to communicate such suggestions in future. The absence of an incentive discourages initiative and the flow of ideas to management.

Evidence from the case: Suresh suggests a method for 'reducing the idle time on machines to increase efficiency', but Pankaj 'does not offer any appreciation award'. Although the team appreciates the idea, the manager fails to provide the incentive described in the case. Appropriate recognition by management would encourage Suresh and other employees to continue communicating improvements.

Step 4: Conclusion The barriers are: (i) technical jargon - semantic; (ii) lack of attention - psychological; and (iii) lack of proper incentives - personal.

Quick Tip to Solve: Match each clue precisely: specialist words mean technical jargon, distracted listening means lack of attention, and no reward for suggestions means lack of proper incentives.