# CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/6/1

## Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

### General Instructions

(i) This question paper contains **34** questions. **All questions are compulsory.**
(ii) Marks are indicated against each question.
(iii) Answers should be brief and to the point.
(iv) Answers to 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. Read the following statements : Assertion (A) and Reason (R).**

**Assertion (A) : The principles of management are guidelines to action, but do not provide readymade, straitjacket solutions to all managerial problems.**

**Reason (R) : Real business situations are neither complex, nor dynamic and are not the result of many factors.**

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

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

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

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

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

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

**Solution:**

**Concept:**

- Management principles are general guidelines whose application depends on the particular business situation.
- Their flexible nature allows managers to use judgement in complex and changing circumstances.

**Step 1:** Judge the assertion Assertion (A) is true. Principles guide managerial action, but cannot prescribe a readymade solution for every possible problem. Managers adapt them to the circumstances.

**Step 2:** Judge the reason Reason (R) is false. Real business situations are complex and dynamic and result from the interaction of many factors; the statement denies all these characteristics.

**Step 3:** Check the explanation and alternatives A false reason cannot explain a true assertion. Options (A) and (B) wrongly treat the reason as true; option (D) also wrongly rejects the assertion.

**Step 4:** Conclusion The assertion is true and the reason is false. Hence, the correct option is (C).

**Quick Tip to Solve:** Check each statement independently: the words neither complex nor dynamic make this reason false.

**2. Under _____, the consumer has a right to get relief for replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer in case the product/service falls short of his expectations.** [1 mark]

(A) Right to safety

(B) Right to seek redressal

(C) Right to be assured

(D) Right to be heard

**Correct Answer:** (B) Right to seek redressal

**Solution:**

**Concept:**

- Consumer Protection: the right to seek redressal provides relief against unfair practices and deficient goods or services.
- A remedy can include repair, replacement, refund or compensation, depending on the grievance.

**Step 1:** Identify the decisive relief The words 'replacement of the product, removal of defect in the product, compensation paid for any loss or injury' describe remedies available when goods or services are deficient. These identify the right to seek redressal.

**Step 2:** Eliminate the alternatives The right to safety protects against hazardous goods and services. The right to be assured concerns access to variety at competitive prices. The right to be heard gives the consumer representation and consideration of a complaint; it is different from obtaining relief for that complaint.

**Step 3:** Conclusion The correct option is (B): Right to seek redressal.

**Quick Tip to Solve:** Link repair, replacement and compensation with redressal; being heard concerns consideration of the complaint.

**3. Match the steps of organising process given in Column I with their explanation given in Column II.**

| Column I | Column II |
|---|---|
| 1. Identification and division of work | (i) Establish clear relationships to create a hierarchical structure and facilitate co-ordination among various departments. |
| 2. Departmentalisation | (ii) Divide the work into small and manageable activities so that activities similar in nature are grouped together. |
| 3. Assignment of duties | (iii) As per previously drawn plans, identify the work and divide in such a way so that duplication can be avoided and burden of work can be shared among the employees. |
| 4. Establishing authority and reporting relationships | (iv) Define the work of different job positions and accordingly allocate work to various employees. |

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

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

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

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

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

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

**Solution:**

**Concept:**

- Organising: identification and division of work, departmentalisation, assignment of duties, and establishing authority and reporting relationships are successive organising steps.
- Match the purpose of each step rather than its position in the two columns.

**Step 1:** Match work division and grouping Identification and division of work identifies activities from the plans and divides them to avoid duplication and share the burden: 1-(iii). Departmentalisation groups activities similar in nature: 2-(ii).

**Step 2:** Match duties and authority Assignment of duties defines work for job positions and allocates it to employees: 3-(iv). Establishing authority and reporting relationships creates the hierarchy and clarifies who reports to whom: 4-(i). Option (A) swaps the last two matches, (B) mismatches work identification and assignment, and (D) mismatches all four steps.

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

**Quick Tip to Solve:** Use the keywords group for departmentalisation, allocate for duties, and hierarchy for reporting relationships.

**4. 'To identify the needs of the customers and to take various decisions related to successful marketing of the products and services, it is important to make an analysis of the available opportunities and threats, as well as strengths and weaknesses of the organisation and decide what opportunities can be best pursued by it', highlights one of the functions of marketing, that is :** [1 mark]

(A) gathering and analysing market information

(B) marketing planning

(C) product designing and development

(D) branding

**Correct Answer:** (A) gathering and analysing market information

**Solution:**

**Concept:**

- Marketing Management: gathering and analysing market information helps identify customer needs and assess market opportunities.
- Information about opportunities, threats, strengths and weaknesses supports informed marketing decisions.

**Step 1:** Identify the function from the case The phrases 'identify the needs of the customers' and 'analysis of the available opportunities and threats, as well as strengths and weaknesses' describe gathering and analysing market information. The marketer studies information to decide which opportunities to pursue.

**Step 2:** Distinguish the remaining functions Marketing planning sets marketing objectives and prepares programmes to achieve them. Product designing and development concerns product features and improvement. Branding gives a product an identifiable name or symbol. None describes the information analysis emphasised here.

**Step 3:** Conclusion The correct option is (A): gathering and analysing market information.

**Quick Tip to Solve:** When the case studies customer needs and opportunities before deciding, identify market information analysis.

**5. 'The principle of management which emphasizes on obedience to organisational rules and employment agreements necessary for the working of the organisation' is called :**

[1 mark]

(A) Division of work

(B) Discipline

(C) Scalar chain

(D) Remuneration of employees

**Correct Answer:** (B) Discipline

**Solution:**

**Concept:**

- Principles of Management: Fayol's principle of discipline requires obedience to organisational rules and employment agreements.
- Discipline depends on good superiors, clear and fair agreements, and judicious application of penalties.

**Step 1:** Recognise the principle The phrase 'obedience to organisational rules and employment agreements' is the defining feature of discipline. It ensures that employees and managers respect the obligations necessary for the organisation to work effectively.

**Step 2:** Reject the alternatives Division of work means specialisation through dividing tasks. Scalar chain is the formal line of authority from the highest to the lowest rank. Remuneration of employees concerns fair compensation. These principles do not define obedience to rules and agreements.

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

**Quick Tip to Solve:** Associate obedience and respect for employment agreements with discipline, rather than authority hierarchy.

**6. The increase in profit earned by the equity shareholders due to the presence of fixed financial charges is known as :**

[1 mark]

(A) Trading on equity

(B) Financial risk

(C) Financial planning

(D) Financial leverage

**Correct Answer:** (A) Trading on equity

**Solution:**

**Concept:**

- Financial Management: trading on equity means increasing equity shareholders earnings through the use of funds carrying fixed financial charges.
- Financial leverage refers to the proportion of debt in the overall capital structure; favourable trading on equity is a benefit of such financing.

**Step 1:** Identify the gain to shareholders The question specifically describes an increase in profit earned by equity shareholders due to fixed financial charges. When earnings generated using borrowed funds exceed their fixed financing cost, the balance available to equity shareholders increases. This benefit is called trading on equity.

**Step 2:** Compare the alternatives Financial risk is the risk of inability to meet fixed financial obligations. Financial planning estimates fund requirements and their sources. Financial leverage describes the use or proportion of debt financing; trading on equity names the increase in equity shareholders earnings asked for here.

**Step 3:** Conclusion The correct option is (A): Trading on equity.

**Quick Tip to Solve:** Distinguish the benefit from the financing mix: increased equity earnings are called trading on equity.

**7. Identify the incorrect statement with respect to 'functional foremanship' as a technique of scientific management :** [1 mark]

(A) It advocates separation of planning and execution functions.

(B) Speed boss, gang boss, repair boss and inspector work under the production incharge.

(C) It is an extension of the principle of unity of command to the shop floor.

(D) Each worker takes orders from eight foremen in the process of production.

**Correct Answer:** (C) It is an extension of the principle of unity of command to the shop floor.

**Solution:**

**Concept:**

- Principles of Management: Taylor's functional foremanship extends division of work and specialisation to supervision.
- Planning and execution are separated, with four specialist foremen under each incharge; a worker receives specialised instructions from eight foremen.

**Step 1:** Identify the incorrect statement Option (C) is incorrect. Functional foremanship is an extension of division of work and specialisation to the shop floor. It conflicts with unity of command, which requires an employee to receive orders from only one superior.

**Step 2:** Verify each other statement Option (A) correctly separates planning and execution. Option (B) correctly lists the speed boss, gang boss, repair boss and inspector under the production incharge. Option (D) correctly states that eight specialist foremen give instructions to a worker in the production process. These true statements cannot answer a question asking for the incorrect statement.

**Step 3:** Conclusion The incorrect statement is (C): functional foremanship extends specialisation, whereas unity of command requires a single superior.

**Quick Tip to Solve:** Underline incorrect first; eight specialist supervisors contradict the one-boss rule of unity of command.

**8. Read the following statements carefully :**

**Statement I : A single-use plan is used for activities that occur regularly over a period of time.**

**Statement II : Policies are a general form of standing plans that specify the organisation's response to a certain situation.**

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

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

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

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

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

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

**Solution:**

**Concept:**

- A single-use plan is developed for a one-time event or project; a standing plan guides activities that recur over time.
- Policies are general statements which guide thinking and channel decisions within broad boundaries.

**Step 1:** Judge Statement I Statement I is false. The expression "activities that occur regularly over a period of time" describes the use of standing plans. Single-use plans, such as a budget for a particular project, serve a specific non-recurring purpose.

**Step 2:** Judge Statement II and compare the options Statement II is true: policies are standing plans that guide an organisation's response to situations. Option (A) reverses these truth values; (C) wrongly treats the first statement as true; and (D) wrongly treats the second statement as false.

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

**Quick Tip to Solve:** Ask whether the activity recurs: recurring activities need standing plans; a one-time project needs a single-use plan.

**9. If an investor wishes to buy or sell any security, he/she has to first approach a registered broker or sub-broker and enter into an agreement with him. An investor has to sign a broker-client agreement and a client registration form before placing an order to buy or sell securities. Thereafter, the investor has to open a 'Demat' account or 'Beneficial owner' account with a depository participant for holding and transferring securities in the demat form and a bank account for cash transactions in the securities market. The first two steps of 'Trading and Settlement procedure' in stock market have been discussed in the above lines.**

**Place the next four steps in the correct order :**

**(i) The broker will then go online and connect to the main stock exchange and match the share and best price available.**

**(ii) After the trade has been executed, within 24 hours the broker issues a contract note.**

**(iii) The investor then places an order with the broker to buy or sell shares. Clear instructions have to be given about the number of shares and the price at which the shares should be bought or sold.**

**(iv) When the shares can be bought or sold at the price mentioned, it will be communicated to the broker's terminal and the order will be executed electronically.**

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

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

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

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

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

**Correct Answer:** (A) (iii), (i), (iv), (ii)

**Solution:**

**Concept:**

- After registration and opening the required accounts, an investor places an order with a broker, stating quantity and price.
- The broker matches the order on the exchange, the trade is executed electronically, and a contract note follows execution.

**Step 1:** Arrange order placement and matching Step (iii) comes first because the investor must instruct the broker about the number of shares and the price. Step (i) follows: the broker connects to the stock exchange to locate and match the shares and the best available price.

**Step 2:** Arrange execution and confirmation Step (iv) follows matching, as the order is executed electronically when the specified price is available. Step (ii) comes last: the contract note is issued within 24 hours after execution. Option (B) starts before an order is placed; (C) starts with execution; and (D) puts execution before matching.

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

**Quick Tip to Solve:** Use the practical sequence: instruct the broker, match the order, execute the trade, then issue the contract note.

**10. Raghu, on waking up early in the morning, often complained about back pain. When his pain persisted, he consulted a doctor who advised him to purchase a good quality orthopedic mattress. That would ensure correct spinal alignment and reduce the back pain.**

**Raghu surveyed the market and purchased a good quality orthopedic mattress. As the price of the mattress was very high, he wanted to avoid paying GST. The shopkeeper suggested that he can do so if he does not take a receipt for the purchase of the mattress. Raghu readily agreed for the same.**

**After few months of using the mattress, his back pain recurred. He realised that the mattress had caved in from the centre. He approached the shopkeeper who refused to entertain Raghu.**

**Raghu wanted to approach the court for redressal of his grievance. However, one of his friends told him that he would not be able to do so as he had not fulfilled one of his responsibilities.**

**From the following, identify the responsibility which Raghu failed to fulfill :** [1 mark]

(A) Respect the environment. Avoid waste, littering and contributing to pollution.

(B) Ask for a Cash Memo on purchase of goods and services.

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

(D) Learn about the risks associated with products and services, follow manufacturers instructions and use the product safely.

**Correct Answer:** (B) Ask for a Cash Memo on purchase of goods and services.

**Solution:**

**Concept:**

- A consumer should ask for a cash memo when purchasing goods or services and preserve it as proof of purchase.
- A cash memo helps establish the transaction when seeking redressal for defective goods or deficient services.

**Step 1:** Identify the neglected responsibility from the case Raghu agreed to the suggestion that he "does not take a receipt for the purchase of the mattress". This directly identifies his failure to ask for a cash memo. The missing receipt deprives him of the usual documentary proof of the purchase.

**Step 2:** Eliminate the other responsibilities Option (A) concerns waste and pollution, which are not the issue here. Option (C) concerns asserting oneself for a fair deal, but the specific omission stated in the case is failure to obtain a receipt. Option (D) concerns safe use and following instructions; the case does not state that Raghu misused the mattress.

**Step 3:** Conclusion Raghu failed to ask for a cash memo on purchase of goods and services. Hence, the correct option is (B).

**Quick Tip to Solve:** When a case mentions refusing a bill to avoid tax, identify the responsibility to ask for and retain a cash memo.

**11. Which of the following is not a limitation of planning function of management ?** [1 mark]

(A) Planning leads to rigidity.

(B) Planning reduces creativity.

(C) Planning guarantees success.

(D) Planning may not work in a dynamic environment.

**Correct Answer:** (C) Planning guarantees success.

**Solution:**

**Concept:**

- Planning may create rigidity, reduce creativity and prove ineffective when the business environment changes unexpectedly.
- Planning does not guarantee success: plans must be implemented effectively and adapted to changing circumstances.

**Step 1:** Check the recognised limitations Option (A) is a limitation because predetermined plans can restrict flexibility. Option (B) is also a limitation when employees merely implement plans made by higher management. Option (D) is a limitation because changing external conditions can make existing plans unsuitable.

**Step 2:** Identify the statement that is not a limitation Option (C), "Planning guarantees success", is not a limitation. In fact, it is not a valid promise of planning at all: even carefully framed plans can fail through poor implementation or unexpected changes. The textbook limitation is that planning does not guarantee success.

**Step 3:** Conclusion The statement that is not a limitation is "Planning guarantees success". Hence, the correct option is (C).

**Quick Tip to Solve:** In a negative MCQ, compare the precise wording: the limitation says planning does not guarantee success.

**12. Seeing the increasing demand for automobiles in Buleti, 'Veso Cars', a global car manufacturing company planned to expand its operations and sell its cars there. However, the government of Buleti imposed high import duties on foreign made cars to protect local manufacturers from foreign competition. This attitude of the Buleti government towards foreign car manufacturers increased the cost of importing cars, making it less affordable for 'Veso Cars' to sell its cars at competitive prices in Buleti.**

**The component of business environment highlighted above is :** [1 mark]

(A) Political environment

(B) Social environment

(C) Legal environment

(D) Economic environment

**Correct Answer:** (A) Political environment

**Solution:**

**Concept:**

- The political environment includes government attitudes towards business and the policies arising from those attitudes.
- Identify the environmental dimension by the feature emphasised in the case rather than merely by its effect on costs.

**Step 1:** Identify the decisive case evidence The case emphasises the "attitude of the Buleti government towards foreign car manufacturers" and its wish "to protect local manufacturers from foreign competition". Such a government attitude towards business is a feature of the political environment.

**Step 2:** Distinguish the other dimensions Option (B) concerns customs, values and social trends, which are not the highlighted factor. Option (C) concerns the framework of laws and regulations; here the emphasis is the government's protective attitude. Option (D) concerns broader economic conditions; higher import costs are the effect of the political stance, rather than the dimension specifically highlighted.

**Step 3:** Conclusion The component highlighted is the political environment. Hence, the correct option is (A).

**Quick Tip to Solve:** Look for the case's emphasis on government attitude towards business when distinguishing political from legal factors.

**13. Identify the incorrect statement with respect to importance of 'Directing' :** [1 mark]

(A) It helps to initiate action.

(B) It helps to bring stability and balance in the organisation.

(C) It facilitates introduction of needed changes in the organisation.

(D) It establishes standards for controlling.

**Correct Answer:** (D) It establishes standards for controlling.

**Solution:**

**Concept:**

- Directing initiates action, integrates employee efforts, motivates employees and facilitates necessary organisational changes.
- Planning sets objectives and standards that provide a basis for controlling; directing guides people towards their achievement.

**Step 1:** Check the actual contributions of directing Option (A) is correct because directing converts plans into action through instructions and guidance. Option (B) is correct because cooperation and commitment help bring stability and balance. Option (C) is correct because explanation and motivation help employees accept needed changes.

**Step 2:** Locate the incorrectly assigned function Establishing standards for controlling is associated with planning, which decides the desired performance in advance. Directing helps employees work towards those standards. Therefore option (D) incorrectly presents the setting of control standards as an importance of directing.

**Step 3:** Conclusion The incorrect statement is "It establishes standards for controlling". Hence, the correct option is (D).

**Quick Tip to Solve:** Separate setting the desired performance through planning from guiding employees to achieve it through directing.

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

**Assertion (A) : A buyer buys a product or service for what it does for him/her or the benefit it provides to him/her.**

**Reason (R) : From the customer's point of view, a product is a bundle of utilities which is purchased because of its capability to provide satisfaction of a certain need.**

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

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

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

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

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

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

**Solution:**

**Concept:**

- A product is a bundle of utilities that can satisfy a customer's needs; it includes the benefits the customer receives.
- For assertion-reason questions, first judge each statement and then test whether the reason explains the assertion.

**Step 1:** Judge the assertion The assertion is true. A buyer chooses a product or service for the benefit it provides, rather than merely for its physical existence. For example, a purchaser values the need-satisfying service or usefulness delivered by the product.

**Step 2:** Judge the reason The reason is true. From the customer's point of view, a product is a bundle of utilities purchased for its capability to satisfy a need. This is the NCERT marketing view of a product.

**Step 3:** Test the explanatory relationship and options The reason explains the assertion: because the product consists of need-satisfying utilities, the buyer purchases it for those benefits. Option (B) wrongly denies that link. Option (C) wrongly declares the reason false, while option (D) wrongly declares the assertion false.

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

**Quick Tip to Solve:** To test the link, read the assertion after "because" plus the reason: utility explains why the buyer seeks benefits.

**15. 'Green Tech Solutions', a manufacturer of eco-friendly products had an organisational structure with separate departments for production, marketing, sales, etc. Each department had its own objectives, policies and style of working. The company was facing challenges as the production department would focus on producing goods without consulting the sales department and the marketing department developed advertising campaigns without considering the production timelines, leading to confusion and conflicts. To resolve this, the Chief Executive Officer, Madhur arranged inter-departmental meetings explaining to the respective managers that they have to consult each other while performing their activities. All the departmental managers agreed to this.**

**By linking the activities of all the departments, the Chief Executive Officer was able to ensure that the right products are available when needed, marketing efforts match with the product availability and sales targets are achieved.**

**The concept of management followed by the Chief Executive Officer to resolve confusion and conflicts between departments was :** [1 mark]

(A) Organising

(B) Coordination

(C) Planning

(D) Staffing

**Correct Answer:** (B) Coordination

**Solution:**

**Concept:**

- Nature and Significance of Management: coordination integrates the efforts of different departments to achieve organisational objectives.
- Coordination ensures unity of action by harmonising interdependent activities.

**Step 1:** Identify the action in the case The CEO is 'linking the activities of all the departments'. Production, marketing and sales must consult one another so that product availability, advertising and sales targets agree. This integration of separate efforts is coordination.

**Step 2:** Eliminate the other functions Organising establishes roles and departments; those departments already exist here. Planning decides future courses of action, whereas the highlighted action synchronises departmental activities. Staffing concerns finding and developing employees, which the case does not describe.

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

**Quick Tip to Solve:** When a case stresses linking departments and unity of action, identify coordination.

**16. Read the following statements carefully :**

**Statement I : Planning and Controlling are both backward-looking as well as forward-looking functions.**

**Statement II : Planning is prescriptive whereas Controlling is evaluative.**

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

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

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

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

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

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

**Solution:**

**Concept:**

- Controlling: planning and controlling are interdependent functions with both forward-looking and backward-looking aspects.
- Planning is prescriptive because it specifies what should be done; controlling is evaluative because it assesses actual performance.

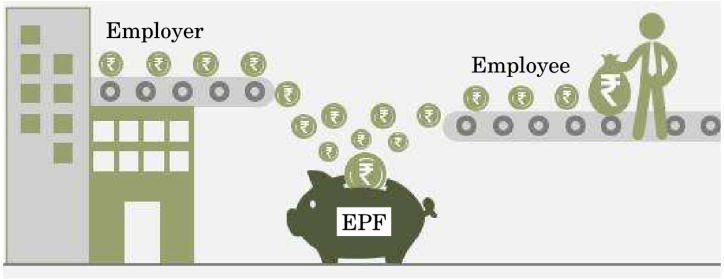
**Step 1:** Evaluate Statement I Statement I is true. Planning looks forward by deciding future action but uses past experience and feedback. Controlling looks back by comparing completed performance with standards, while its corrective action improves future performance. Thus, neither function is exclusively forward-looking or backward-looking.

**Step 2:** Evaluate Statement II and the alternatives Statement II is also true: planning prescribes the desired course of action and standards, while controlling evaluates achievement against those standards. Options (A) and (B) incorrectly reject one true statement; option (D) incorrectly rejects both.

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

**Quick Tip to Solve:** Distinguish the time perspective from the role: planning prescribes and controlling evaluates.

**17. Identify the financial incentive shown in the picture given below :** [1 mark]




(A) Stock option

(B) Perquisites

(C) Productivity-linked wage incentive

(D) Retirement benefits

**Correct Answer:** (D) Retirement benefits

**Solution:**

**Concept:**

- Directing: retirement benefits such as provident fund, pension and gratuity provide financial security after service.
- Financial incentives can include indirect monetary benefits as well as immediate wages.

**Step 1:** Read the picture The picture shows contributions from the employer and employee entering an account labelled EPF. EPF refers to Employees' Provident Fund, which accumulates savings to provide financial security on retirement. It therefore represents retirement benefits.

**Step 2:** Distinguish the other incentives Stock options give employees an opportunity to acquire company shares. Perquisites are benefits such as housing or medical facilities over and above salary. Productivity-linked wage incentives connect pay with output. None describes the provident-fund contributions shown.

**Step 3:** Conclusion The financial incentive is retirement benefits. Hence, the correct option is (D).

**Quick Tip to Solve:** Read EPF as provident fund and connect long-term savings with retirement benefits.

**18. After moving to Dama from his home town in Rasha, Ramu and his family were staying in a rented accomodation for the last 5 years. Ramu and one of his office colleagues decided to buy a flat each in close proximity to their office. After a lot of research, they settled for a housing project which would cost them ₹ 1·25 crore each for a three bedroom flat. The housing project developers promised to deliver their flats within 36 months. An amount of ₹ 20 lakh each was paid to the developers of the housing project at the time of booking the flat. Since the payment schedule was time bound, they paid additional ₹ 80 lakh each over a period of 2 years. The balance of ₹ 25 lakh was to be paid at the time of registration. Despite having taken the major part of the cost of the flats, the housing project developers hadn't started the construction work.**

**Ramu and his colleague asked the housing project developers to refund the amount paid. On refusal of refund of the amount paid by the housing project developers, Ramu and his colleague decided to approach the consumer court.**

**The redressal agency which Ramu and his colleague should approach for redressal of their grievance is :** [1 mark]

(A) District Commission

(B) State Commission

(C) National Commission

(D) Local Commission

**Correct Answer:** (A) District Commission

**Solution:**

**Concept:**

- Consumer Protection: the redressal commission is identified using the consideration paid for goods or services under the jurisdiction framework prescribed in the textbook.
- The textbook framework places consideration paid up to Rs 1 crore within the District Commission.

**Step 1:** Determine the consideration paid by each buyer The case states that 'Rs 20 lakh each' was paid at booking and an additional 'Rs 80 lakh each' was paid later. Each buyer has therefore paid Rs 100 lakh, or Rs 1 crore. The remaining Rs 25 lakh is still payable at registration, so the total promised flat price is not the amount already paid.

**Step 2:** Apply the prescribed jurisdiction and exclude alternatives Under the textbook framework, an amount paid of exactly Rs 1 crore is included in the District Commission limit. The State Commission applies above Rs 1 crore and up to Rs 10 crore, while the National Commission applies above Rs 10 crore. Local Commission is not a tier of this redressal machinery. Each buyer has a separate flat transaction; the amount paid by each is the relevant figure here.

**Step 3:** Conclusion They should approach the District Commission. Hence, the correct option is (A).

**Quick Tip to Solve:** Use the amount actually paid by each buyer: Rs 20 lakh plus Rs 80 lakh, including the upper limit.

**19. Which of the following is a regulatory function of Securities and Exchange Board of India ?**

[1 mark]

(A) Registration of brokers and sub-brokers and other players in the market

(B) Training of intermediaries of the securities market

(C) Promotion of fair practices and code of conduct in securities market

(D) Conducting research and publishing information useful to all market participants

**Correct Answer:** (A) Registration of brokers and sub-brokers and other players in the market

**Solution:**

**Concept:**

- Financial Markets: SEBI performs regulatory, developmental and protective functions in the securities market.
- Registration of brokers, sub-brokers and other market participants is a regulatory function.

**Step 1:** Identify the regulatory activity Registration establishes formal oversight of intermediaries operating in the securities market. Registering brokers, sub-brokers and other players therefore belongs to the regulatory functions of SEBI, making option (A) correct.

**Step 2:** Classify the remaining activities Training intermediaries in option (B) is developmental because it improves their capabilities. Promoting fair practices and a code of conduct in option (C) is protective because it safeguards investors. Research and publication of useful market information in option (D) is developmental. These activities do not fit the regulatory category asked for.

**Step 3:** Conclusion Registration of brokers, sub-brokers and other market players is the regulatory function. Hence, the correct option is (A).

**Quick Tip to Solve:** Classify registration as regulatory, training and research as developmental, and fair practices as protective.

**20. 'Alpha Manufacturing Ltd.' is a company manufacturing high quality car spare parts. The company has a well-established production line and its products are highly demanded in the market. However, it was noticed that the defect rate in the manufacturing process was higher than the standard of 10 per 1,000 pieces produced. In spite of best efforts, the Production Manager was not able to reduce the defect rate. So, he decided to revise the standards.**

**The step of the controlling process, followed by the Production Manager after not being able to reduce the defect rate, will be :** [1 mark]

(A) Taking corrective action

(B) Measurement of actual performance

(C) Analysing deviations

(D) Comparing actual performance with standards

**Correct Answer:** (A) Taking corrective action

**Solution:**

**Concept:**

- Controlling: taking corrective action is the final step after performance has been measured, compared and deviations analysed.
- Corrective action may include revising standards when persistent deviations indicate that the original standards need reconsideration.

**Step 1:** Identify what the manager now decides to do The decisive words are 'he decided to revise the standards'. The defect rate has already been found higher than the standard of 10 per 1,000 pieces, and efforts to reduce it have failed. Revision of standards at this stage is a form of corrective action.

**Step 2:** Distinguish earlier steps Measurement would determine the actual defect rate. Comparison would establish that it exceeds the standard, and analysing deviations would investigate the reasons for the gap. These are earlier steps; none describes the present decision to revise the standard. Consequently, options (B), (C) and (D) do not identify the step highlighted.

**Step 3:** Conclusion The step is taking corrective action. Hence, the correct option is (A).

**Quick Tip to Solve:** Focus on the final decision: revising a standard is corrective action in the controlling process.

**21(a). Explain the following points of importance of 'Controlling' function of management :**

**(i) Ensuring order and discipline**

**(ii) Judging accuracy of standards** [3 marks]

**Solution:**

**Concept:**

- Controlling: importance of the function in maintaining orderly behaviour and checking the standards used to evaluate performance.
- Controlling compares actual performance with predetermined standards, analyses deviations and initiates corrective action.

**Step 1:** Ensuring order and discipline **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline in the organisation. Employees know that their work and behaviour will be checked against prescribed standards. This helps minimise dishonest behaviour and discourages violation of rules and procedures. Thus, regular monitoring and corrective action help employees work responsibly within the organisational framework.

**Step 2:** Judging accuracy of standards **Judging accuracy of standards:** A good control system enables management to verify whether the standards set earlier are accurate and realistic. While comparing actual performance with standards, managers examine the causes of deviations. If a standard is unrealistic, or changes in the organisation or its environment have made it inappropriate, it can be reviewed and revised. This makes subsequent performance evaluation meaningful and objective.

**Step 3:** Conclusion Controlling promotes orderly, disciplined conduct and helps management review the accuracy and suitability of performance standards.

**Quick Tip to Solve:** For accuracy of standards, explain that a deviation can reveal an unrealistic standard as well as poor performance.

OR

**21(b). State any three points of importance of 'Staffing' function of management.** [3 marks]

**Solution:**

**Concept:**

- Staffing: importance of obtaining, developing and retaining suitable people for organisational positions.
- Staffing includes identifying manpower requirements, recruitment, selection, placement, training and development.

**Step 1:** Obtaining competent personnel **Obtaining competent personnel:** Staffing helps discover and obtain competent personnel for different jobs. By assessing manpower needs and using suitable recruitment and selection procedures, the organisation can identify people whose knowledge, skills and abilities match the requirements of its positions. It therefore helps ensure that jobs are filled by capable employees.

**Step 2:** Higher performance through proper placement **Higher performance:** Staffing ensures higher performance by putting the right person on the right job. Selection and placement match the requirements of a job with an individual's abilities. Appropriate training then develops the skills needed to perform that job effectively. Consequently, employees can contribute more effectively to organisational objectives.

**Step 3:** Continuous survival and growth **Continuous survival and growth:** Staffing supports the continuous survival and growth of the enterprise through succession planning for managers. It develops employees so that competent people are available to fill responsible positions when existing managers leave, retire or move to other jobs. This helps maintain continuity in management and

prepares the organisation for future needs.

**Step 4:** Conclusion Any three points are: obtaining competent personnel, ensuring higher performance through proper placement, and supporting continuous survival and growth through succession planning.

**Quick Tip to Solve:** Choose three distinct benefits of staffing and connect each benefit to people, jobs or the future supply of managers.

**22. Sweets has been the mainstay for several large homegrown restaurant brands. Increased life expectancy of people and increased awareness for health care amongst consumers has increased the demand for healthy food options. Young consumers are moving away from consuming traditional sweets to buying more western style premium products which are baked or steamed. With this shift in consumer preferences, 'Shree Restaurants', a well known restaurant brand, is gearing itself up for playing a greater role in the healthy packaged foods market. In addition to traditional sweets, the company is also planning to expand to healthy savoury and sweet items and some ready-to-eat items. These new healthy products are expected to change people's lifestyles.**

**Identify and explain the two features of Business Environment highlighted in the above case.** [3 marks]

**Solution:**

**Concept:**

- Business Environment: dynamic nature and interrelatedness are features of the external forces affecting an enterprise.
- A case answer identifies the feature, explains its textbook meaning and supports it with the relevant words of the case.

**Step 1:** Dynamic nature **Dynamic nature:** The business environment keeps changing in terms of consumer preferences, technology, competition and other forces. The case says that young consumers are "moving away from consuming traditional sweets to buying more western style premium products which are baked or steamed. This change in tastes towards healthier food shows that the environment is continually changing. Shree Restaurants is responding by preparing to expand its healthy packaged-food range.

**Step 2:** Interrelatedness **Interrelatedness:** Different elements of the business environment are closely interrelated; a change in one element can influence others. The case states that "increased life expectancy and "increased awareness for health care have increased demand for healthy food options. Changes in these social factors affect consumer preferences and the company's product plans. The further statement that the new products are "expected to change people's lifestyles also shows the connection between market offerings and social lifestyles.

**Step 3:** Conclusion The two features highlighted are dynamic nature and interrelatedness of the business environment.

**Quick Tip to Solve:** Use changing food preferences for dynamic nature, and the link between health awareness, demand and lifestyles for interrelatedness.

**23(a). Explain the following internal sources of recruitment :**

**(i) Transfers**

**(ii) Promotions** [3 marks]

**Solution:**

**Concept:**

- Staffing: internal recruitment fills vacancies by using employees already working in the organisation. Transfers and promotions are its two principal sources.
- A transfer is a horizontal movement; a promotion is an upward movement in the organisational hierarchy.

**Step 1:** Explain transfers **Transfers:** A transfer involves shifting an employee from one job to another, one department to another, or one shift to another, without a substantive change in responsibilities and status. It is a horizontal movement of employees. Transfers may move employees from an overstaffed department to an understaffed one and help avoid termination of services. They may also broaden employees' experience by enabling them to learn different kinds of work. Thus, a transfer uses existing staff to meet a vacancy at a comparable level.

**Step 2:** Explain promotions **Promotions:** A promotion means moving an employee to a higher position carrying greater responsibilities, higher status and normally higher pay. It is a vertical movement within the organisation. Existing employees who possess the required qualifications and ability are considered for higher positions. The prospect of promotion motivates employees to improve their performance, while using people already familiar with the organisation helps to fill higher-level vacancies from within.

**Step 3:** Conclusion Transfers fill vacancies through movement at a comparable level, whereas promotions fill them by moving suitable existing employees to higher positions.

**Quick Tip to Solve:** Remember the direction of movement: transfer is horizontal, while promotion is upward.

OR

**23(b). Explain the following methods of training :**

**(i) Internship training**

**(ii) Vestibule training** [3 marks]

**Solution:**

**Concept:**

- Staffing: training develops the skills and knowledge needed to perform a particular job effectively. Internship and vestibule training provide practical learning in different settings.
- Internship combines institutional education with practical work; vestibule training reproduces the workplace in a separate training setting.

**Step 1:** Explain internship training **Internship training:** It is a joint programme of training in which educational institutions and business firms cooperate. Selected candidates continue their regular

studies for a prescribed period and also work in a factory, office or other organisation for a prescribed period to acquire practical knowledge and skills. The arrangement links classroom theory with actual workplace experience. For example, medical students serve as interns in hospitals to gain practical experience along with their academic learning.

**Step 2:** Explain vestibule training **Vestibule training:** Under this method, employees learn their jobs on the equipment they will use, but the training is conducted away from the actual work floor. A separate training area duplicates the work environment, including the machines, materials and equipment required for the job. Trainees acquire the necessary skills under instruction without disrupting normal production. This method is useful when employees must learn to handle sophisticated machinery and equipment safely and accurately.

**Step 3:** Conclusion Internship training integrates formal studies with practical work, while vestibule training develops job skills in a separate setting that duplicates the actual workplace.

**Quick Tip to Solve:** Look for institution plus workplace in internship; look for a separate replica of the workplace in vestibule training.

**24. 'Verso Cars' opened their new car showroom in Kainvad. They appointed Tarun as a General Manager for managing their operations. He was responsible for meeting sales targets, keeping a check on inventory, building customer relations, ensuring compliance with regulations, etc. However, the high volume of work made it impractical for him to handle it all by himself. To meet the company's goals, and to ensure that all work is accomplished, he appointed Nikhil as a Sales Manager. Nikhil was given the authority to take decisions inherent is his managerial position and to tell people what to do and expect them to do it. He not only had to ensure that sales targets are met but was also to guide sales representatives and had to report directly to Tarun. As a result, Tarun was able to concentrate on more important matters and ensure that all work is accomplished.**

**(a) Identify the concept followed by Tarun which helped him in achieving the company's goals.**

**(b) Explain any two points of importance of the concept identified in (a) above.** [3 marks]

**Solution:**

**Concept:**

- Organising: delegation is the transfer of authority from a superior to a subordinate to enable the subordinate to discharge assigned responsibilities.
- Delegation includes assignment of responsibility, grant of authority and creation of accountability. The superior retains overall accountability.

**Step 1:** (a) Identify the concept **Delegation of authority:** Tarun assigned Nikhil responsibility for meeting sales targets and guiding sales representatives. Nikhil was also given "the authority to take decisions" and "had to report directly to Tarun". These details show assignment of work, authority to perform it and accountability for its performance. Thus, Tarun delegated authority to Nikhil while retaining his own overall accountability as General Manager.

**Step 2:** (b) Explain two points of importance **Effective management:** Delegation reduces the manager's workload by allowing routine work to be handled by subordinates. The manager can then

concentrate on important matters, improving managerial effectiveness. The case states that Tarun was "able to concentrate on more important matters" after assigning sales responsibilities to Nikhil.

**Employee development:** Delegation gives subordinates opportunities to exercise judgement, make decisions and use their abilities. Handling responsibility develops managerial skills and prepares them for greater responsibility in future. Nikhil receives this opportunity through the authority to take decisions and the responsibility to guide sales representatives, providing him practical experience in managing sales operations.

**Step 3:** Conclusion The concept is delegation of authority. Two points of its importance are effective management and employee development.

**Quick Tip to Solve:** In a delegation case, connect the assigned duty, decision-making authority and reporting relationship before explaining its benefits.

**25(a). Explain the following points of importance of 'Planning' function of management :**

**(i) Planning provides direction.**

**(ii) Planning reduces the risk of uncertainty.** [4 marks]

**Solution:**

**Concept:**

- Planning: importance of deciding in advance what is to be done and how it is to be done.
- Clear objectives give direction to activities, while anticipating future conditions helps managers prepare for uncertainty.

**Step 1:** (i) Planning provides direction **Planning provides direction:** Planning states in advance how work is to be done and clearly defines the objectives to be achieved. These objectives act as a guide for deciding what action should be taken and in which direction. Managers and employees therefore know what the organisation has to do and how they can contribute towards its goals.

By making the goals and the means of achieving them explicit, planning brings unity of purpose to the activities of different departments and individuals. Their efforts can be directed towards the same organisational objectives. Without planning, employees may work in different directions, making coordinated achievement of goals difficult.

**Step 2:** (ii) Planning reduces the risk of uncertainty **Planning reduces the risk of uncertainty:** Planning involves looking ahead, assessing likely future conditions and anticipating changes or unexpected events. Managers consider the effects of changes in the business environment and decide in advance how the organisation should respond. This preparation helps them meet future challenges instead of being entirely unprepared when they occur.

By deciding the tasks to be performed and preparing suitable courses of action, managers can reduce the adverse effects of change. For example, anticipating a possible shortage of a necessary input allows a firm to plan an alternative source of supply. Planning cannot eliminate uncertainty or predict every event accurately, but it helps the organisation cope with uncertainty and reduces the associated risk.

**Step 3:** Conclusion Planning guides everyone's efforts towards clearly defined goals and prepares the

organisation to face possible changes, thereby reducing the risk arising from uncertainty.

**Quick Tip to Solve:** For direction, link clear goals with coordinated effort; for uncertainty, explain anticipation and preparation without claiming that all risk disappears.

OR

**25(b). Explain the following features of 'Planning' function of management :**

**(i) Planning is futuristic.**

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

**Solution:**

**Concept:**

- Planning: features of the management function that decides in advance the objectives to be achieved and the course of action for achieving them.
- Planning looks towards future events and requires conscious intellectual effort in choosing suitable action.

**Step 1:** (i) Planning is futuristic **Planning is futuristic:** The purpose of planning is to meet future events effectively to the best advantage of the organisation. It involves looking ahead, analysing the future and predicting possible conditions. Managers anticipate opportunities and threats and prepare courses of action to deal with them. Thus, planning is concerned with what should be done in the future, although the decisions are made in the present.

Forecasting forms an important basis of planning. For example, a sales forecast estimates likely future sales, enabling managers to decide the production and sales activities that will be needed. Planning uses such forecasts to prepare for future requirements; it does not mean that managers can predict the future with complete certainty.

**Step 2:** (ii) Planning is a mental exercise **Planning is a mental exercise:** Planning requires thinking rather than guesswork or wishful thinking. It is an intellectual activity involving foresight, intelligent imagination and sound judgement. Managers must examine information, analyse relevant facts, consider possible alternatives and evaluate their likely consequences before choosing the most suitable course of action.

Planning is therefore based on logical and systematic thinking. For example, before selecting a method of increasing sales, managers compare possible methods in terms of their suitability, costs and expected results. The quality of a plan depends on this careful reasoning and judgement. Merely expressing a desire for higher sales does not amount to planning; the manager must think through a practicable way of achieving the objective.

**Step 3:** Conclusion Planning is futuristic because it prepares the organisation for future events, and it is a mental exercise because it requires logical analysis, foresight and judgement.

**Quick Tip to Solve:** Explain futuristic through anticipation and forecasting; explain mental exercise through logical analysis and judgement instead of guesswork.

**26. Rushil opened 'RK Hair and Beauty Salon' in a reputed locality and appointed fifteen people as salon staff. However, within just a few months, he observed that the employees were leaving the salon one by one and the business was not able to meet even the monthly targets.**

**Rushil asked his manager to find out the reason. The manager reported that quite often, according to the requirement, the hair stylist was asked to do the work of a makeup artist and a makeup artist was asked to do nail care, etc. As a result, the employees were not happy and wanted to work at a salon where work was divided according to their competence and would enhance their specialisation.**

**The manager also added that there was neither any fixed place for hair care, skin care or nail care materials nor for the employees. This created confusion and hindrance in the work and led to further dissatisfaction amongst the staff. As a result, the employees kept leaving the salon leading to high employee turnover ratio and a shortage of experienced staff.**

**Identify and explain the two principles of management discussed above that are not followed in 'RK Hair and Beauty Salon'.** [4 marks]

**Solution:**

**Concept:**

- Principles of Management: Fayol's division of work promotes specialisation through allocation of tasks according to competence.
- Fayol's principle of order requires a suitable, fixed place for every person and material, with each in its proper place.

**Step 1:** Identify division of work from the allocation of duties **Division of work:** The case states that "the hair stylist was asked to do the work of a makeup artist and a makeup artist was asked to do nail care". Employees wanted work divided according to their competence to enhance specialisation. This shows that division of work was not followed: specialised duties were being interchanged without regard to the workers' expertise.

**Step 2:** Explain how division of work improves performance **Meaning and benefit:** Work should be divided into small tasks, with each task entrusted to a trained specialist. Repeated performance of the same specialised activity develops expertise and increases efficiency, leading to more and better output with the same effort. At the salon, allocating hair styling, makeup and nail care to the appropriately skilled employees would allow them to use and improve their competence.

**Step 3:** Identify order from the absence of fixed places **Order:** The manager reported that there was "neither any fixed place for hair care, skin care or nail care materials nor for the employees". This directly indicates a violation of order. The resulting confusion and hindrance in work show why the arrangement of both people and materials matters.

**Step 4:** Explain order and its application **Meaning and benefit:** Order means a place for everything and everyone, and everything and everyone in the right place. Materials and employees should occupy suitable, assigned places so that work can proceed without unnecessary obstruction. Clearly designated workstations and storage for hair care, skin care and nail care would prevent time and energy being wasted in locating people and materials, and improve efficiency.

**Step 5:** Conclusion The two principles not followed in RK Hair and Beauty Salon are **division of work** and **order**.

**Quick Tip to Solve:** Match interchanging specialist jobs to division of work; match missing fixed places for people and materials to order.

**27. 'BNG Ltd.' is a reputed company that manufactures consumer durables. It has a large scale manufacturing unit where products like electric kettles, toasters, blenders, electric irons, etc. are manufactured. Since the production is at a large scale, the average cost of production is low. As a result, the products are widely available across areas at affordable prices contributing to its strong profit margins.**

**On the other hand, 'KMV Ltd.', another reputed consumer durables manufacturer in the same business is also earning good profits. However, 'KMV Ltd.' focuses on producing the products which are superior in quality, performance and features. It has a dedicated Research and Development team which continually works to bring improvement in the quality of its products.**

**(a) Identify and explain the marketing management philosophy followed by 'BNG Ltd.' and 'KMV Ltd.'.**

**(b) Differentiate between the two marketing management philosophies identified in (a) above on the basis of the following :**

**(i) Main focus**

**(ii) Ends** [4 marks]

**Solution:**

**Concept:**

- Marketing Management: The production concept emphasises large-scale production, low cost and wide availability.
- The product concept emphasises superior quality, performance and features, supported by continuous product improvement.

**Step 1:** (a) Identify and explain BNG Ltd.'s philosophy **Production concept:** BNG Ltd. follows the production concept. The clues are "production is at a large scale", "average cost of production is low" and products being "widely available across areas at affordable prices". This philosophy assumes that consumers prefer products that are readily available and affordable. Management therefore concentrates on increasing production efficiency and ensuring wide distribution. Large-scale production lowers the cost per unit, allowing the firm to expand its sales and earn profits.

**Step 2:** (a) Identify and explain KMV Ltd.'s philosophy **Product concept:** KMV Ltd. follows the product concept. The company focuses on products "superior in quality, performance and features", and its Research and Development team "continually works to bring improvement in the quality of its products". This philosophy assumes that consumers favour products offering the best quality, performance and innovative features. Management consequently directs its efforts towards making superior products and improving them continuously, expecting product excellence to attract customers and generate profits.

**Step 3:** (b) Distinguish the two philosophies on the specified bases

| **Basis** | **Production concept: BNG Ltd.** | **Product concept: KMV Ltd.** |
|---|---|---|
| Main focus | Large-scale production, with emphasis on production efficiency, low cost and availability. | Improvement in product quality, performance and features. |
| Ends | Profits through volume of production. | Profits through product quality. |

**Step 4:** Conclusion BNG Ltd. follows the **production concept**, while KMV Ltd. follows the **product**

**concept**. Their routes to profits are production volume and product quality, respectively.

**Quick Tip to Solve:** Use low cost plus wide availability for production concept; superior features plus continuous improvement for product concept.

**28. Shreedar had worked as an Operations Manager at a cab aggregator firm for ten years, gaining in-depth knowledge of the business. He then decided to leave the job and started his own cab aggregator business 'Easy Cab' with his friend Mukesh. Shreedar became the Chief Executive Officer and Mukesh the Chief Operating Officer in 'Easy Cab'. They decided to initially offer their services only in Goregram. To finance the venture, they applied for a loan to purchase electric cars for their fleet aiming to provide a sustainable and eco-friendly way to travel.**

**(a) Identify the level of management at which Shreedar and Mukesh are working in 'Easy Cab'.**

**(b) State any three functions required to be performed by both Shreedar and Mukesh at the level of management they are working.** [4 marks]

**Solution:**

**Concept:**

- Levels of Management: top management consists of the senior-most executives responsible for the organisation as a whole, including the Chief Executive Officer and Chief Operating Officer.
- Top management determines overall objectives and strategies, integrates departmental efforts and bears responsibility for the organisation's survival, welfare and impact on society.

**Step 1:** (a) Identify their level of management Shreedar and Mukesh are working at **top-level management**. The case states that Shreedar became the 'Chief Executive Officer' and Mukesh the 'Chief Operating Officer'. These are senior-most executive positions with authority over the organisation as a whole. Their decisions to launch Easy Cab, select its initial area of operations and arrange finance also concern the overall direction of the enterprise.

**Step 2:** (b) State three functions of top management

- **Determine overall objectives and strategies:** They set the organisation's long-term objectives and formulate strategies for achieving them. In Easy Cab, this includes deciding the overall direction of the business and its initial area of service.
- **Integrate and coordinate departmental activities:** They bring together the efforts of different departments so that each contributes to common organisational objectives. Decisions concerning finance, operations and other functions must support the enterprise's overall plans.
- **Ensure organisational survival and welfare:** They are responsible for the survival and welfare of the organisation, analyse the business environment and consider the impact of business activities on society. The stated aim of providing sustainable, eco-friendly travel illustrates attention to the business's wider impact.

**Step 3:** Conclusion Both executives belong to top-level management. Their functions include determining objectives and strategies, integrating departmental activities and ensuring the organisation's survival and welfare.

**Quick Tip to Solve:** Identify the level from the current post: CEO and COO are top executives, even if a person previously held an operations-manager post.

**29(a). State any four features of 'Motivation' as an element of Directing.** [4 marks]

**Solution:**

**Concept:**

- Directing: motivation is the process of stimulating people to act voluntarily towards the achievement of desired goals.
- Motivation concerns internal feelings and drives, produces goal-directed behaviour, may use positive or negative means, and is a complex process because people differ in their needs and responses.

**Step 1:** State the first two features

- **Motivation is an internal feeling:** Needs, desires and aspirations are internal to an individual and influence behaviour. A person may, for example, feel a need for recognition or achievement. Management uses suitable incentives to stimulate these internal drives; it cannot directly observe the feeling itself.
- **Motivation produces goal-directed behaviour:** It induces people to behave in a particular way towards a goal. A motivated employee willingly applies effort to improve performance. For instance, the desire for promotion may lead an employee to work more efficiently and achieve targets, thereby helping to fulfil organisational objectives.

**Step 2:** State the remaining two features

- **Motivation can be positive or negative:** Positive motivation offers incentives, such as recognition, promotion or additional pay, to encourage desirable performance. Negative motivation uses measures such as a warning, threat of punishment or demotion to discourage undesirable behaviour and induce action.
- **Motivation is a complex process:** Individuals differ in their needs, expectations, perceptions and reactions. Consequently, the same incentive may motivate one employee but fail to motivate another. Managers must understand individual needs and select suitable methods instead of expecting one method to work equally for everyone.

**Step 3:** Conclusion The four features are: motivation is an internal feeling, produces goal-directed behaviour, can be positive or negative, and is a complex process.

**Quick Tip to Solve:** Recall four distinct features: internal feeling, goal-directed behaviour, positive or negative motivation, and complexity arising from individual differences.

OR

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

**(i) Job enrichment**

**(ii) Employee participation** [4 marks]

**Solution:**

**Concept:**

- Directing: non-financial incentives satisfy employees' psychological, social and higher-level needs rather than offering a direct monetary reward.
- Job enrichment makes work more challenging and meaningful; employee participation involves employees in decisions concerning their work.

**Step 1:** (i) Job enrichment **Meaning:** Job enrichment means designing jobs to include a greater variety of work content and to require a higher level of knowledge and skill. It gives employees more autonomy and responsibility and opportunities for personal growth. It therefore increases the depth and challenge of the job rather than merely adding more routine tasks.

**Motivational effect:** A meaningful job should allow employees to use their abilities, accept responsibility and receive recognition for their achievements. Clear feedback on performance helps them experience a sense of accomplishment. The opportunity to develop and perform challenging work satisfies higher-level needs and makes the work itself a source of motivation.

**Step 2:** (ii) Employee participation **Meaning:** Employee participation means involving employees in decision-making on issues related to them. Management gives employees an opportunity to express their views and contribute suggestions about their work and working conditions, instead of making every relevant decision without consulting them.

**Motivational effect:** Participation makes employees feel that their knowledge and opinions are valued. It strengthens their sense of belonging and responsibility and encourages acceptance of the decisions in which they have participated. Organisations may provide participation through joint management committees, work committees or canteen committees. These arrangements satisfy employees' needs for recognition and involvement without being direct financial payments.

**Step 3:** Conclusion Job enrichment motivates through meaningful, challenging work with greater responsibility and growth; employee participation motivates by giving employees a voice in decisions related to them.

**Quick Tip to Solve:** Link job enrichment to the content and responsibility of the job, and employee participation to involvement in decisions; explain how each satisfies a non-monetary need.

**30. 'Nurata Ltd.' is a leading manufacturer of clothing in India, known for good quality casual wear as well as formal wear for children. The company is earning good profits and now wants to expand its business by entering into the business of electronics and home appliances too. The management decided to create separate business units, where each unit head would be responsible for a specific product category and for its performance. All key functions, such as marketing, finance, production, etc. would be handled within each unit.**

**(a) Identify the organizational structure adopted by 'Nurata Ltd.' on expansion of its business.**

**(b) State any two advantages and one disadvantage of the organizational structure identified in (a) above.** [4 marks]

**Solution:**

**Concept:**

- Organising: a divisional structure groups activities into separate divisions based on products or product categories.
- Each division has its own functional departments and a divisional head accountable for its performance; this suits large enterprises producing several distinct products.

**Step 1:** (a) Identify the structure with evidence **Divisional structure:** Nurata Ltd. adopts a divisional organisational structure. The case states that it will create 'separate business units' and that 'each unit head would be responsible for a specific product category and for its performance'. Thus, the basis for grouping activities is the product category.

The further statement that 'marketing, finance, production, etc. would be handled within each unit' confirms that each product division has the functions required to operate its own business. This arrangement suits the company's diversification from clothing into electronics and home appliances.

**Step 2:** (b) Two advantages **1. Product specialisation and development of managers:** Each divisional head gains experience in all the functions connected with a particular product rather than in just one specialised function. This helps develop varied managerial skills and prepares managers for higher positions.

**2. Accountability for results:** Revenue and costs relating to each division can be identified, enabling its profit or loss to be assessed separately. The divisional head can therefore be held responsible for performance. Management can compare divisional results and take appropriate corrective action when a division performs poorly.

**Step 3:** (b) One disadvantage **Duplication of activities and higher costs:** Each division maintains its own functional facilities and personnel, such as marketing, finance and production staff. This duplicates activities across divisions and increases expenditure. For Nurata Ltd., maintaining these functions separately for clothing, electronics and home appliances may prevent it from obtaining the economies of a single shared functional arrangement.

**Step 4:** Conclusion Nurata Ltd. adopts a divisional structure. It develops managers through product specialisation and enables clear accountability for results, but duplication of functional activities raises costs.

**Quick Tip to Solve:** Identify the grouping basis first: separate product units, each with its own functions and accountable head, indicate a divisional structure.

**31. Sara recently received her degree in automobile engineering and decided to join her father's electric vehicle business. They were not only selling electric vehicles but also providing related services like charging vehicles and their maintenance, etc. Sara had worked on a practical project related to electric vehicles during her automobile engineering course and won first prize for it. She was impressed by electric vehicles because of their potential to revolutionize the automotive industry as these are more sustainable and eco-friendly alternative to traditional vehicles.**

**She was exploring the possibility of entering into partnerships with the government for electric vehicle charging stations. This could be shared investment, with the government providing land and incentives and her company contributing technical expertise and operational management. Sara shared her thoughts and ideas with her father. She prepared a proposal to collaborate with the government for setting up electric vehicle charging stations. The proposal contained her ideas, feelings and suggestions which she intended to convey to the government. She then converted her ideas, feelings and suggestions into words and pictures. She used clear concise language and visual aids such as charts and graphs, to make complex information more understandable. She now had to choose a path through which her proposal would be transmitted to the government. Sara had a face-to-face meeting with the government and presented her ideas directly.**

**(a) The above case highlights an element of one of the functions of management. Identify and explain the element.**

**(b) Quoting lines from the above case, name the four elements of the concept identified in (a) above.**

**(c) State three other elements of the concept identified in (a) above, not discussed in the above case.** [6 marks]

**Solution:**

**Concept:**

- Directing: Communication is the process of exchanging information between two or more persons to create common understanding.
- The communication process involves a sender, message, encoding, media, decoding, receiver, feedback and noise. The case describes Sara communicating her proposal to the government.

**Step 1:** (a) Identify and explain the element of directing **Communication:** It is the process of exchanging information between two or more persons to reach a common understanding. It includes transferring ideas, facts, feelings and suggestions and ensuring that the receiver understands their intended meaning. Sara communicates her proposal for charging stations to the government; presenting words and pictures is useful only when their meaning is understood.

**Step 2:** (b) Four elements illustrated in the case **Sender:** The sender conveys thoughts or ideas to the receiver. Sara is the sender: "She prepared a proposal to collaborate with the government for setting up electric vehicle charging stations."

**Message:** This is the content to be communicated. "The proposal contained her ideas, feelings and suggestions which she intended to convey to the government."

**Encoding:** This means converting the message into communication symbols such as words and pictures. "She then converted her ideas, feelings and suggestions into words and pictures."

**Media:** This is the path or channel through which the encoded message is transmitted. "Sara had a face-to-face meeting with the government and presented her ideas directly." Thus, she chose direct,

face-to-face communication.

**Step 3:** (c) Three other elements of the communication process **Decoding:** It is the process of converting the sender's encoded symbols into meaning so that the message can be understood.

**Receiver:** It is the person who receives the communication sent by the sender. In this communication, the government representatives are the intended recipients; the case does not describe their processing of the message.

**Feedback:** It consists of the receiver's actions or response indicating that the message has been received and understood. It completes the communication process and enables the sender to assess its effectiveness.

**Step 4:** Conclusion The directing element is **communication**. The four illustrated process elements are sender, message, encoding and media. Three further elements are decoding, receiver and feedback.

**Quick Tip to Solve:** Separate the element of directing (communication) from the elements within its process; link each case quotation to its exact role.

**32(a). Explain the following factors affecting working capital requirements of a business :**

**(i) Nature of business**

**(ii) Credit availed**

**(iii) Operating efficiency**

**(iv) Seasonal factors** [6 marks]

**Solution:**

**Concept:**

- Financial Management: Working capital is the investment needed in current assets to support day-to-day business operations.
- The requirement depends on the time for which funds remain tied up in inventories and receivables, the credit available from suppliers and the scale of current operations.

**Step 1:** (i) Nature of business **Nature of business:** A trading concern generally requires less working capital than a manufacturing organisation. A trader need not process raw materials into finished goods and therefore avoids investment in raw materials and work-in-progress during manufacturing. A manufacturing enterprise has a longer operating cycle and needs funds for raw materials, work-in-progress and finished goods. Service industries generally require still less working capital because they usually do not maintain substantial inventories of goods.

**Step 2:** (ii) Credit availed **Credit availed:** Credit allowed by suppliers enables a firm to obtain raw materials or other inputs now and pay for them later. To that extent, suppliers finance the firm's operating cycle. Therefore, the larger the credit available and the longer its duration, the lower is the working capital the firm must arrange from other sources. If purchases must be paid for immediately or only a short credit period is available, the firm needs more working capital.

**Step 3:** (iii) Operating efficiency **Operating efficiency:** Efficient operations reduce waste, shorten the production cycle, improve inventory turnover and speed up collection from debtors. These

improvements reduce the funds unnecessarily tied up in current assets. Thus, a firm with better operating efficiency requires less working capital for the same level of business. Inefficient production, slow-moving inventories and delayed collections keep funds blocked for longer and increase the requirement.

**Step 4:** (iv) Seasonal factors **Seasonal factors:** In a seasonal business, working capital requirements rise during the peak season because production and sales activity increase. The firm must finance larger inventories and may have higher debtors and other operating expenses. During the lean season, activity and the associated investment in current assets decline, so less working capital is required. For example, a firm selling seasonal goods must arrange extra funds to build stocks ahead of its main selling season.

**Step 5:** Conclusion Manufacturing activity, limited supplier credit, inefficient operations and peak-season activity generally increase working capital requirements. Their opposite conditions generally reduce the requirement.

**Quick Tip to Solve:** For each factor, explain which current assets or payments change and then state clearly whether the working capital requirement rises or falls.

OR

**32(b). Distinguish between 'Money Market' and 'Capital Market' on any six basis.** [6 marks]

**Solution:**

**Concept:**

- Financial Markets: the money market deals in short-term funds, whereas the capital market deals in medium- and long-term funds.
- The two markets can be distinguished by their participants, instruments, investment outlay, duration, liquidity and safety.

**Step 1:** Compare participants, instruments and investment outlay The following are three bases of distinction:

| Basis | Money market | Capital market |
|---|---|---|
| Participants | The main participants are the RBI, commercial banks, financial institutions and corporate entities. | The main participants are financial institutions, banks, corporate entities, foreign investors and ordinary retail investors. |
| Instruments | Instruments include Treasury bills, commercial paper, call money, certificates of deposit and commercial bills. | Instruments include equity shares, preference shares, debentures and bonds. |
| Investment outlay | Transactions generally involve a large investment outlay because the instruments are issued in large denominations. | Investment need not involve a large outlay: the value of units of securities is generally lower, allowing small investors to participate. |

**Step 2:** Compare duration, liquidity and safety Three further bases complete the distinction:

| Basis | Money market | Capital market |
|---|---|---|
| Duration | Deals in short-term securities with a maturity period of up to one year. | Deals in medium- and long-term securities, generally for more than one year; equity shares have no fixed maturity. |
| Liquidity | Instruments are highly liquid. The Discount and Finance House of India provides a ready market, and instruments can generally be converted into cash readily. | Securities are generally less liquid than money-market instruments. A stock exchange provides a market, but finding a buyer and selling at a suitable price may take time. |
| Safety | Instruments are comparatively safer because of their short duration and the financial standing of issuers; the risk of default is relatively low. | Securities generally carry greater risk, since returns are uncertain and both the issuer's performance and market prices may change over longer periods. |

**Step 3:** Conclusion Thus, the six bases are participants, instruments, investment outlay, duration, liquidity and safety. The money market serves short-term funding needs, while the capital market provides medium- and long-term finance.

**Quick Tip to Solve:** Prepare six distinct comparison rows and describe both markets against the same basis in each row.

**33. After completing his civil engineering degree, Sankalp decided to start his own business. He started a construction company 'Sankalp Builders'. He entered into an agreement for construction of residential flats on a land of 30 acres. Building of the flats on such a large scale required expensive machinery like bulldozers, excavators, etc. He had the option to buy the machinery or take it on lease. Though Sankalp was in favour of buying, his father advised him to take the decision with caution as construction machinery becomes outdated very fast and needs to be replaced. He also told Sankalp that in future he may think of diversifying his operations and would need funds for that too.**

**Identify and state any four factors discussed above affecting the fixed capital requirements of 'Sankalp Builders'.** [6 marks]

**Solution:**

**Concept:**

- Financial Management: fixed capital refers to investment in fixed assets such as plant, machinery and buildings that remain in the business for more than one year.
- Scale of operations, financing alternatives, technology upgradation and diversification affect the amount of funds invested in fixed assets.

**Step 1:** Identify scale of operations and financing alternatives

- **Scale of operations:** The case states that construction was planned on "a land of 30 acres" and that building flats "on such a large scale required expensive machinery like bulldozers, excavators, etc." A business operating on a large scale needs more plant, machinery and other fixed assets, and therefore requires more fixed capital than a similar business operating on a small scale. Sankalp's large construction project consequently increases his fixed capital requirement.
- **Financing alternatives:** Sankalp "had the option to buy the machinery or take it on lease."

Availability of leasing facilities reduces the immediate requirement of fixed capital because the business can use the asset by paying lease rentals without purchasing it outright. If Sankalp buys the machinery, a larger initial investment in fixed assets is needed; if he leases it, the initial fixed capital requirement is lower.

**Step 2:** Identify technology upgradation and diversification

- **Technology upgradation:** His father cautioned that "construction machinery becomes outdated very fast and needs to be replaced." Businesses using assets that become obsolete rapidly need higher fixed capital to acquire improved equipment and replace outdated machinery. Thus, Sankalp must provide for recurring investment in new construction machinery as technology changes.
- **Diversification:** His father also said that "in future he may think of diversifying his operations and would need funds for that too." Entering new lines of business normally requires additional fixed assets such as premises, plant and machinery. A plan to diversify therefore increases the business's prospective fixed capital requirement, and Sankalp must take this future need into account while deciding how much to invest in the present project.

**Step 3:** Conclusion The four factors are **scale of operations, financing alternatives, technology upgradation and diversification**. The large project, purchase-or-lease choice, rapid obsolescence and possible entry into new operations respectively establish these factors in the case.

**Quick Tip to Solve:** Match each clue to its NCERT factor: large scale, lease choice, obsolete machinery and new business lines.

**34(a). Explain any four major components of physical distribution.** [6 marks]

**Solution:**

**Concept:**

- Marketing Management: Physical distribution concerns moving goods from the producer to customers so that they are available at the right place and time.
- Its four major components are order processing, transportation, warehousing and inventory control. These activities must be coordinated to provide customer service at a reasonable cost.

**Step 1:** Order processing and transportation

- **Order processing:** This covers receiving a customer's order, checking its accuracy and the availability of goods, preparing the necessary documents and arranging dispatch. There is a time gap between receipt of an order and delivery of the goods. An accurate, speedy order-processing system reduces this gap and enables the firm to fulfil orders as specified. Delays or errors can send customers to competing suppliers; therefore, processing orders efficiently is an essential part of physical distribution.
- **Transportation:** This is the physical movement of goods from the place where they are produced to the place where they are required for consumption or use. It creates place utility and makes the product accessible to its market. The marketer must select a suitable mode of transport by considering its cost, speed, reliability and the nature of the goods. For example, perishable goods require arrangements that prevent deterioration during movement.

**Step 2:** Warehousing and inventory control

- **Warehousing:** Warehousing refers to storing and assorting goods until they are required. Production and consumption do not necessarily occur at the same time, so storage bridges this time gap and creates time utility. Decisions about the number and location of warehouses affect both cost and the speed of delivery. Warehouses closer to customers can improve service, but maintaining more warehouses also increases storage and related costs.
- **Inventory control:** This means deciding and maintaining the appropriate level of stock to meet customer demand. Larger inventories help fulfil orders promptly and reduce the risk of lost sales due to stock-outs, but they tie up funds and increase storage and other carrying costs. Very small inventories reduce these costs but can interrupt supplies. The firm must balance customer-service requirements against inventory costs, considering expected demand, replenishment time and the cost of running out of stock.

**Step 3:** Conclusion The four major components of physical distribution are **order processing, transportation, warehousing and inventory control**. Together they ensure that goods reach customers in the required quantity, at the required place and time.

**Quick Tip to Solve:** Remember the flow: process the order, transport the goods, store them when needed, and control stock levels; explain the purpose of each activity.

OR

**34(b). Explain any four communication tools used by the marketers to inform and persuade customers about their firm's products.** [6 marks]

**Solution:**

**Concept:**

- Marketing Management: Promotion mix is the combination of communication tools used to inform prospective buyers about a firm's products and persuade them to buy.
- The major tools are advertising, personal selling, sales promotion and public relations. Their use depends on the product, the target customers and the firm's communication objectives.

**Step 1:** Advertising and personal selling

- **Advertising:** Advertising is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The advertiser communicates through media such as newspapers, television, radio and digital media. The same message can reach a large number of geographically dispersed customers, informing them about features and benefits and persuading them to prefer the firm's product. Since communication is non-personal, the advertiser does not receive the immediate, individual feedback available in a selling conversation.
- **Personal selling:** Personal selling involves oral presentation of a message through conversation with prospective buyers for the purpose of making sales. The salesperson interacts directly with the customer, explains the product and answers questions. This personal contact allows the presentation to be adapted to the buyer's needs and provides immediate feedback. It also helps build relationships. For example, a salesperson can demonstrate a machine and resolve a customer's

doubts before the purchase.

**Step 2:** Sales promotion and public relations

- **Sales promotion:** Sales promotion consists of short-term incentives designed to encourage customers to make an immediate purchase. These activities supplement advertising and personal selling by adding an extra inducement to buy. Examples include discounts, free samples, refund offers, contests and quantity gifts. Such offers can attract attention, induce trial of a new product and stimulate sales for a limited period. The temporary incentive is the distinguishing feature of this tool.
- **Public relations:** Public relations covers activities undertaken to establish and maintain good relations with the firm's various publics and build a favourable image of the organisation and its products. These publics include customers, employees, investors, government and the media. Tools include press releases, corporate communications, publications and events. Favourable publicity can strengthen credibility and customer confidence, while appropriate communication helps address rumours or adverse reports. Thus, public relations supports the firm's promotional effort through goodwill and understanding.

**Step 3:** Conclusion The four communication tools are **advertising, personal selling, sales promotion and public relations**. Together they inform customers, persuade them to buy and help build confidence in the firm and its products.

**Quick Tip to Solve:** Distinguish the tools by their key feature: paid mass message, personal conversation, short-term incentive, and favourable public relations.