CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/6/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

Questions no. 1 to 20 are Multiple Choice Questions (MCQs), carrying 1 mark each. $20 \times 1 = 20$

1. 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:

- Financial Markets: the trading and settlement procedure on a stock exchange.
- Identify the decisive clue and compare it with the NCERT definition before selecting the option.

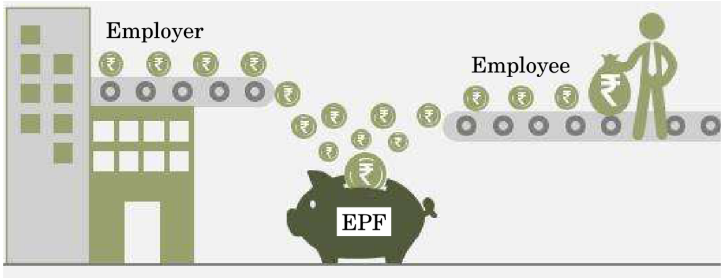
Step 1: The investor first places the order Statement (iii) comes first: the investor specifies the number of shares and the purchase or sale price. Without these instructions the broker has no order to enter into the exchange system. Statement (i) follows: the broker connects online to the stock exchange and matches the security with the best available price.

Step 2: Match, execute and confirm the trade Statement (iv) follows matching: when the specified price is available, the order is executed electronically. Statement (ii) comes last because the contract note is issued within 24 hours after execution. Thus (B) incorrectly puts matching before the order and confirmation before execution; (C) starts with execution; and (D) puts execution before matching.

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

Quick Tip to Solve: Trace an order from the investor to matching, execution and finally the contract note.

2. 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: financial incentives, particularly retirement benefits such as provident fund, pension and gratuity.
- Identify the decisive clue and compare it with the NCERT definition before selecting the option.

Step 1: Read the label in the picture The picture shows contributions from both the employer and the employee flowing into a fund labelled EPF. EPF stands for Employees' Provident Fund. It builds savings to provide financial security after the employee retires, which identifies the category of financial incentive.

Step 2: Eliminate the other incentives A stock option gives employees an opportunity to acquire shares in their company, so (A) does not describe EPF. Perquisites are additional benefits such as housing or medical facilities, so (B) is unsuitable. A productivity-linked wage incentive connects pay with output or performance, whereas the picture shows provident-fund contributions; therefore (C) is also incorrect.

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

Quick Tip to Solve: An EPF or provident-fund label points directly to security after retirement.

OR

Note : The following question is for the Visually Impaired Candidates only in lieu of Q. No. 2.

2. An incentive offered over and above the wages/salary to the employees is known as : [1 mark]

(A) Productivity-linked wage incentive

(B) Bonus

(C) Profit sharing

(D) Stock option

Correct Answer: (B) Bonus

Solution:

Concept:

- Directing: financial incentives motivate employees by offering monetary rewards in addition to, or as part of, their remuneration.
- Bonus is an incentive offered over and above the wages or salary paid to employees.

Step 1: Identify the incentive from its definition The decisive words are 'over and above the wages/salary'. Under NCERT's classification of financial incentives, this describes a bonus: an additional payment beyond the employee's regular wages or salary. The question does not mention output, a share in profits or ownership of shares.

Step 2: Compare all four options Option (B), bonus, matches the definition directly. Option (A), productivity-linked wage incentive, links remuneration to productivity and requires a performance or output connection. Option (C), profit sharing, gives employees a share in the organisation's profits; no such profit-based arrangement is stated. Option (D), stock option, offers employees company shares, generally at a price below the market price, rather than defining an extra payment over wages or salary.

Step 3: Conclusion The incentive is bonus. Hence, the correct option is (B).

Quick Tip to Solve: Match 'over and above wages/salary' with bonus; look for explicit profit or share ownership clues before choosing the other incentives.

3. 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:

- Business Environment: the political environment includes government attitudes towards business and government policy priorities.
- Identify the decisive clue and compare it with the NCERT definition before selecting the option.

Step 1: Identify the decisive case clue The case expressly refers to the government's attitude towards foreign car manufacturers. It imposed high import duties 'to protect local manufacturers from foreign competition'. This protective stance towards foreign business is a feature of the political environment.

Step 2: Distinguish the other dimensions Social environment concerns customs, values and social trends, which are not the issue here, so (B) fails. Legal environment concerns the legal framework and specific laws; the emphasis here is the government's attitude, so (C) is not the best answer. Higher import costs are an economic effect of the policy, but the highlighted factor is its political origin, making (D) less appropriate.

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

Quick Tip to Solve: In environment cases, use the stated government attitude to identify the political dimension.

4. 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:

- Consumer Protection: consumers should ask for and retain a cash memo as evidence of the purchase of goods or services.
- Identify the decisive clue and compare it with the NCERT definition before selecting the option.

Step 1: Link the responsibility to the case Raghu agreed that he would 'not take a receipt for the purchase of the mattress'. He therefore failed to ask for a cash memo. Such a document records the transaction and provides important evidence when a consumer seeks redress for defective goods.

Step 2: Reject responsibilities not indicated Option (A) concerns avoiding waste and pollution, which the case does not mention. Option (C) is a general duty to assert oneself, but the specific omission here is accepting a purchase without a receipt. Option (D) concerns safe use and following product instructions; there is no evidence that Raghu misused the mattress. The direct match is the responsibility stated in (B).

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 seller refuses a later complaint, look for the missing cash memo as proof of purchase.

5. '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 identifies customer needs and evaluates marketing opportunities.
- Identify the decisive clue and compare it with the NCERT definition before selecting the option.

Step 1: Identify the information-based activity The statement highlights identifying 'the needs of the customers' and analysing opportunities, threats, strengths and weaknesses. These activities gather and interpret information so the organisation can decide which opportunities it should pursue. This is the marketing function of gathering and analysing market information.

Step 2: Compare the other functions Marketing planning, option (B), involves developing a plan to achieve marketing objectives; it uses information but is not the analysis described. Product designing and development, option (C), concerns product features, quality and design. Branding, option (D), gives the product a distinctive name, sign or identity. Neither product design nor identification is the focus of this statement.

Step 3: Conclusion The function is gathering and analysing market information. Hence, the correct option is (A).

Quick Tip to Solve: Customer-needs research and SWOT analysis indicate gathering and analysing market information.

6. 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:

- Principles of Management: principles are general guidelines whose application requires judgement in complex, dynamic business situations.
- Identify the decisive clue and compare it with the NCERT definition before selecting the option.

Step 1: Judge the assertion Assertion (A) is true. Management principles guide decisions and behaviour but cannot prescribe a ready-made solution to every problem. A manager must consider the particular circumstances and apply the principles with judgement.

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 reason denies all of these characteristics and therefore contradicts the nature of actual business situations.

Step 3: Check the explanation and all alternatives A false reason cannot explain a true assertion. Options (A) and (B) both wrongly treat the reason as true, while option (D) reverses the truth values by treating the assertion as false and the reason as true. Only option (C) states the correct combination.

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

Quick Tip to Solve: Test the negative words in the reason: real business situations are both complex and dynamic.

7. 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: under the Consumer Protection Act, 2019 framework in the NCERT text, pecuniary jurisdiction depends on consideration paid for goods or services.
- Identify the decisive clue and compare it with the NCERT definition before selecting the option.

Step 1: Determine the amount actually paid Each buyer paid Rs 20 lakh at booking and a further Rs 80 lakh over two years. Thus the consideration actually paid by each buyer is Rs 1 crore. The remaining Rs 25 lakh is unpaid and is not included when determining the jurisdiction from consideration paid.

Step 2: Apply the textbook jurisdiction limit Under the NCERT framework, the District Commission entertains complaints where the consideration paid does not exceed Rs 1 crore. Exactly Rs 1 crore falls within this inclusive limit. The State Commission, option (B), covers amounts above Rs 1 crore up to Rs 10 crore; the National Commission, option (C), covers amounts above Rs 10 crore. Option (D), Local Commission, is not a tier of this redressal machinery.

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

Quick Tip to Solve: Use consideration actually paid, not the total quoted flat price; the District limit includes Rs 1 crore.

8. '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:

- Coordination integrates the efforts of different departments and ensures unity of action towards organisational objectives.
- Use the defining NCERT feature to identify the concept and distinguish it from the alternatives.

Step 1: Identify the action in the case The CEO arranged inter-departmental meetings and required managers to 'consult each other while performing their activities'. Further, 'linking the activities of all the departments' matched production, marketing and sales. These clues show the integration of separate departmental efforts through coordination.

Step 2: Check the alternatives Organising (A) establishes jobs, departments and authority relationships; the existing departments are already described. Planning (C) sets objectives and future courses of action. Staffing (D) concerns obtaining and developing personnel. None specifically denotes harmonising ongoing departmental activities, whereas coordination (B) does.

Step 3: Conclusion Coordination; hence, the correct option is (B).

Quick Tip to Solve: When a case stresses linking departments and harmonising their efforts, identify coordination.

9. 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:

- Planning and controlling are interrelated: plans set standards, while control evaluates actual performance and supplies feedback for future plans.
- Use the defining NCERT feature to identify the concept and distinguish it from the alternatives.

Step 1: Judge Statement I Statement I is true. Planning looks ahead by deciding future action, but also uses past experience and feedback. Controlling looks back by comparing actual performance with predetermined standards, yet also looks ahead because corrective action prevents repetition of deviations and improves future performance.

Step 2: Judge Statement II and the options Statement II is true. Planning is prescriptive because it lays down what should be done; controlling is evaluative because it judges whether actual results conform to plans. Thus (A) and (B) each wrongly reject a true statement, and (D) wrongly rejects both. Option (C) correctly accepts both statements.

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

Quick Tip to Solve: Separate the time perspective from the purpose: both functions use feedback, while planning prescribes and control evaluates.

10. 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:

- The product element of the marketing mix is understood by customers as a bundle of utilities that satisfies their needs.
- Use the defining NCERT feature to identify the concept and distinguish it from the alternatives.

Step 1: Judge the assertion Assertion (A) is true. A customer purchases a product or service for its useful benefits and the satisfaction it provides. The physical object or the service activity is valuable because it meets a need, rather than merely because it is offered for sale.

Step 2: Judge the reason Reason (R) is also true. The customer views a product as a bundle of utilities, including the benefits that make it capable of satisfying a particular need. This is the customer-oriented meaning of a product in marketing.

Step 3: Test the explanatory link and alternatives The bundle of utilities is precisely why a buyer purchases the offering for its benefits. Therefore, R correctly explains A. Option (B) incorrectly denies this direct explanatory link; (C) incorrectly calls R false; and (D) incorrectly calls A false.

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

Quick Tip to Solve: For this assertion-reason item, connect customer benefits directly to the product being a bundle of utilities.

11. Which of the following is not a feature of formal organisation ? [1 mark]

(A) It is deliberately designed by the top management.

(B) The standards of behaviour evolve from group norms rather than officially laid down rules and regulations.

(C) It specifies the relationships between various job positions and clarifies who is to report to whom.

(D) It places more emphasis on work to be performed than interpersonal relationships among the employees.

Correct Answer: (B) The standards of behaviour evolve from group norms rather than officially laid down rules and regulations.

Solution:

Concept:

- Formal organisation is a deliberately established structure of official authority, responsibility and reporting relationships; informal organisation develops through social interaction.
- Use the defining NCERT feature to identify the concept and distinguish it from the alternatives.

Step 1: Identify the feature that does not belong Option (B), behaviour evolving from group norms rather than officially laid down rules, describes informal organisation. Informal groups develop their own accepted standards through interaction; these are not the prescribed rules of the formal structure.

Step 2: Verify the other options Option (A) is a formal feature because top management deliberately designs the structure. Option (C) is formal because it specifies relationships between job positions and reporting authority. Option (D) is formal because official work and organisational objectives receive greater emphasis than personal relationships. Hence none of these satisfies the word **not**.

Step 3: Conclusion The feature in (B) belongs to informal organisation; the correct option is (B).

Quick Tip to Solve: Underline the word not, then distinguish officially prescribed rules from social group norms.

12. 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:

- SEBI performs regulatory, developmental and protective functions; regulatory functions establish and enforce the framework within which securities-market participants operate.
- Use the defining NCERT feature to identify the concept and distinguish it from the alternatives.

Step 1: Classify registration Registration of brokers, sub-brokers and other market players is a

regulatory function. Registration brings intermediaries within the prescribed framework and enables SEBI to supervise their participation in the securities market. Hence the activity in (A) fits the category asked.

Step 2: Eliminate the remaining functions Training intermediaries (B) is developmental because it builds their capabilities. Promoting fair practices and a code of conduct (C) is protective because it safeguards investors and fair dealings. Research and publication of useful information (D) are developmental because they support market knowledge and development. These functions therefore do not answer the regulatory-function question.

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

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

13. '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:

- Fayol's principle of discipline requires obedience to organisational rules and employment agreements necessary for the successful working of the organisation.
- Use the defining NCERT feature to identify the concept and distinguish it from the alternatives.

Step 1: Match the defining words The words 'obedience to organisational rules and employment agreements' directly define discipline. Discipline requires compliance with agreed rules and commitments by both management and workers, supported by good supervision and clear, fair agreements.

Step 2: Distinguish the other principles Division of work (A) concerns specialisation through dividing tasks. Scalar chain (C) is the formal line of authority from the highest to the lowest rank. Remuneration of employees (D) concerns fair compensation. None of these refers primarily to obedience to rules and employment agreements; discipline (B) does.

Step 3: Conclusion The principle is discipline; the correct option is (B).

Quick Tip to Solve: Look for obedience to rules and agreements: these words identify discipline directly.

14. 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:

- The right to seek redressal entitles a consumer to obtain relief against unfair trade practices, restrictive trade practices or exploitation, including remedies for defective goods and deficient services.
- Use the defining NCERT feature to identify the concept and distinguish it from the alternatives.

Step 1: Identify the remedy-based right The question lists replacement, removal of defects and compensation for loss or injury. These are remedies after the consumer has suffered because a product or service is unsatisfactory. They therefore indicate the right to seek redressal, as stated in option (B).

Step 2: Exclude the other rights Right to safety (A) protects against goods and services hazardous to life and health. Right to be assured (C) concerns access to a variety of goods and services at competitive prices. Right to be heard (D) provides for consumer interests and complaints to receive due consideration. Being heard helps present a complaint, whereas obtaining the listed remedies is redressal.

Step 3: Conclusion The consumer exercises the right to seek redressal; the correct option is (B).

Quick Tip to Solve: When replacement, repair or compensation is the clue, choose the right to seek redressal.

15. '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 of the controlling process.
- Corrective action can involve revising standards when they cannot be achieved despite sincere efforts.

Step 1: Identify the action described The manager found defects above the standard of 10 per 1,000 pieces. The decisive words are 'In spite of best efforts' and 'he decided to revise the standards'. Revising an unachievable standard is an action to correct the problem and make control effective.

Step 2: Eliminate the other stages Measurement records actual defects, comparison establishes the gap, and analysing deviations identifies its causes. These earlier stages do not describe the decision to revise standards. Thus (B), (C) and (D) do not identify the step now followed.

Step 3: Conclusion Taking corrective action is the step followed. Hence, the correct option is (A).

Quick Tip to Solve: Look at the last managerial decision in the case: revising a standard belongs to corrective action.

16. 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:

- Planning: single-use plans serve a particular non-recurring project or event.
- Standing plans, including policies, guide activities and decisions that recur.

Step 1: Judge Statement I Statement I is false. Activities occurring regularly over time require standing plans. A single-use plan is developed for a one-time event or project and is not intended to guide the same recurring activity repeatedly.

Step 2: Judge Statement II and the alternatives Statement II is true. Policies are general statements that guide thinking and channel decision-making towards organisational objectives; they specify the organisation's response to a certain situation. Therefore (A) reverses the truth values, (C) wrongly accepts Statement I, and (D) wrongly rejects Statement II.

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 repeats: recurring work uses standing plans; a one-time event uses a single-use plan.

17. Match the steps of organising process given in Column I with their explanation given in Column II. Choose the correct option from the following : [1 mark]

	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.

(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 reporting relationships.
- Match each organising step with its distinctive action rather than relying on the order of explanations.

Step 1: Match work identification and grouping Identification and division of work identifies activities from previously drawn plans, avoids duplication and shares the burden; hence 1-(iii). Departmentalisation groups similar activities together into departments; hence 2-(ii).

Step 2: Match allocation and authority Assignment of duties defines job positions and allocates work to employees; hence 3-(iv). Establishing authority and reporting relationships creates the hierarchy and clarifies who reports to whom; hence 4-(i). Option (A) interchanges the last two matches, (B) misidentifies steps 1 and 3, and (D) mismatches every step.

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: Match the verbs first: identify work, group activities, allocate duties, then establish reporting relationships.

18. 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 is the increase in profit earned by equity shareholders because of fixed financial charges.
- Financial leverage concerns the use of debt carrying fixed financial charges in the capital structure.

Step 1: Identify the precise term The question describes an increase in equity shareholders' profit attributable to fixed financial charges. This beneficial effect is called trading on equity: when the return earned using borrowed funds exceeds their fixed cost, the surplus benefits equity shareholders.

Step 2: Distinguish the alternatives Financial risk, option (B), is the risk of failing to meet fixed financial obligations. Financial planning, option (C), concerns estimating fund requirements and identifying sources. Financial leverage, option (D), refers to the use of debt, whereas the increase in equity shareholders' profit described here is trading on equity.

Step 3: Conclusion The increase is known as trading on equity. Hence, the correct option is (A).

Quick Tip to Solve: Distinguish using debt from its benefit: an increase in shareholders' profit through fixed charges is trading on equity.

19. 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: guiding, instructing, supervising and motivating people to achieve organisational objectives.
- Planning establishes objectives and standards; directing activates employees to carry out plans.

Step 1: Check the valid statements Option (A) is valid because directing initiates action by guiding people towards work. Option (B) is valid because effective leadership, communication and motivation help maintain stability and balance. Option (C) is valid because directing helps employees accept and

implement needed changes.

Step 2: Identify the incorrect statement Establishing standards for controlling is a contribution of planning. Standards provide the targets against which actual performance is compared. Directing concerns getting people to act towards those targets, so option (D) incorrectly assigns the establishment of standards to directing.

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

Quick Tip to Solve: For a negative MCQ, test each statement and select the function mismatch: setting standards points to planning.

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20. 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 separates planning from execution and applies specialisation to supervision.
- Fayol's unity of command requires an employee to receive orders from only one superior.

Step 1: Identify the contradiction Functional foremanship gives a worker guidance from eight specialist foremen rather than a single boss. It therefore conflicts with unity of command. It is an extension of division of work and specialisation to the shop floor, so calling it an extension of unity of command is incorrect.

Step 2: Verify the other statements Option (A) is correct because planning is separated from execution. Option (B) correctly lists the speed boss, gang boss, repair boss and inspector under the production incharge. Option (D) correctly states that each worker takes orders from eight foremen, four on the planning side and four on the production side.

Step 3: Conclusion The incorrect statement is that functional foremanship extends unity of command to the shop floor. Hence, the correct option is (C).

Quick Tip to Solve: Remember the conflict: eight specialist foremen under Taylor cannot satisfy Fayol's one-superior rule.

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

(i) Accomplishing organisational goals

(ii) Facilitating coordination in action [3 marks]

Solution:

Concept:

- Controlling: Importance of controlling in accomplishing organisational goals and facilitating coordination in action.
- Controlling compares actual performance with predetermined standards and initiates corrective action wherever necessary.

Step 1: (i) Accomplishing organisational goals **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings to light deviations, if any. Managers compare actual performance with the standards laid down in the plans. When performance falls short of the required level, they identify the causes and take corrective action. In this way, controlling guides the organisation and keeps it on the right track so that its goals can be achieved. It also helps managers check whether work is being done according to the plans rather than merely assuming that plans will be implemented successfully.

Step 2: (ii) Facilitating coordination in action **Facilitating coordination in action:** Controlling provides direction to all activities and efforts for achieving organisational goals. Each department and employee is governed by predetermined standards that are coordinated with one another. Performance is assessed against these standards, and corrective action brings individual and departmental efforts into harmony. Thus, employees and departments work towards the common organisational objectives rather than pursuing unrelated targets. This ensures coordination and unity of action across the organisation.

Step 3: Conclusion Controlling helps attain organisational goals by detecting and correcting deviations, and facilitates coordination by directing interrelated efforts towards common objectives.

Quick Tip to Solve: Link the first point to deviations and corrective action; link the second to coordinated standards and unity of action.

OR

21(b). State any three benefits of training to the organization. [3 marks]

Solution:

Concept:

- Staffing: Training develops employees' knowledge and skills for performing specific jobs effectively.
- Benefits to the organisation include avoiding wasteful learning, improving productivity and preparing future managers.

Step 1: State the first benefit to the organisation **Avoids wasteful hit-and-trial efforts:** Training is a systematic process of learning. It is better than employees learning their work merely through trial

and error. By teaching the correct methods from the outset, it helps the organisation avoid wastage of effort, time and money. Employees receive organised guidance instead of repeatedly making avoidable mistakes while discovering how to do the job.

Step 2: State two further benefits to the organisation **Enhances employee productivity:** Training improves employees' proficiency and enables them to perform better both in terms of quantity and quality of output. Higher productivity and better work contribute to higher profits for the organisation.

Equips future managers: Training equips future managers to take over when emergencies arise. By developing employees' ability to shoulder managerial duties, the organisation has people who can assume responsibility when required. This helps maintain continuity of operations instead of leaving essential managerial work unattended.

Step 3: Conclusion Three benefits of training to the organisation are avoidance of wasteful hit-and-trial efforts, higher employee productivity and preparation of future managers.

Quick Tip to Solve: Choose benefits for the employer: savings, better output and managerial readiness directly answer this question.

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22. '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 carry out assigned duties.
- Delegation involves authority, responsibility and accountability, and helps managers work effectively while developing subordinates.

Step 1: (a) Identify the concept **Delegation:** Tarun follows delegation. He assigns sales work to Nikhil and gives him authority to make the decisions required for that work. The case states that Nikhil "was given the authority to take decisions" and "had to report directly to Tarun". These details show the assignment of responsibility, the grant of authority and accountability to a superior. Tarun remains accountable for the overall work even though Nikhil carries out the delegated sales duties.

Step 2: (b) Explain two points of importance **Effective management:** By empowering employees to perform tasks, delegation allows managers to function more efficiently. Managers gain time to

concentrate on important matters and explore opportunities. This is shown when Tarun "was able to concentrate on more important matters" after assigning sales responsibilities to Nikhil.

Employee development: Delegation gives employees opportunities to use their skills, gain experience and develop new abilities. Responsibility for work and the authority to make decisions prepare them for higher positions. Here, Nikhil receives authority to make sales decisions and is required to "guide sales representatives". Carrying out these duties provides an opportunity to develop his managerial ability.

Step 3: Conclusion The concept is delegation. Its importance includes effective management through relief from routine work and employee development through opportunities to exercise authority and responsibility.

Quick Tip to Solve: Identify delegation from assigned duties plus decision-making authority; use the case's relief to Tarun to explain effective management.

23. 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 means that external conditions continually change.
- Business Environment: inter-relatedness means that its different elements are closely connected and influence one another.

Step 1: Dynamic nature **Dynamic nature:** The business environment keeps changing through changes in consumer preferences, technology and other external conditions. 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 shift in tastes and preferences changes demand. Shree Restaurants responds by preparing to expand its range of healthy packaged foods, savoury and sweet products and ready-to-eat items.

Step 2: Inter-relatedness **Inter-relatedness:** The different elements of the business environment are closely related and affect one another. The case states that "increased life expectancy" and "increased awareness for health care" have increased the demand for healthy food options. Thus changes in social conditions and awareness influence consumer demand and the firm's product decisions. The reverse connection is also shown: "These new healthy products are expected to change people's lifestyles." The product changes and social lifestyles therefore influence each other.

Step 3: Conclusion The two features highlighted are dynamic nature and inter-relatedness of the business environment.

Quick Tip to Solve: Use the shift in consumer preferences for dynamic nature, and the link between health awareness, demand and lifestyles for inter-relatedness.

24(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 move employees horizontally; promotions move employees to positions at a higher level.

Step 1: Transfers **Transfers:** A transfer shifts an employee from one job to another, one department to another, or one shift to another, without a substantive change in responsibilities or status. It is a horizontal movement rather than advancement to a higher position. An employee may be transferred from a department with surplus staff to one with a shortage. This helps the organisation meet its staffing needs from within and makes employees familiar with different jobs. Transfers may also be used for training employees to handle different assignments.

Step 2: Promotions **Promotions:** Promotion shifts an employee to a higher position carrying greater responsibilities, higher status and usually higher pay. It is a vertical movement in the organisational hierarchy. For example, an existing supervisor may be appointed as a departmental manager when that higher position falls vacant. Promotion uses the experience and abilities of existing employees, provides an opportunity for career advancement and motivates employees to improve their performance. It also creates another vacancy at the lower level, which may in turn be filled internally.

Step 3: Conclusion Transfers fill positions through horizontal movement, while promotions fill higher positions through vertical advancement of existing employees.

Quick Tip to Solve: State the direction of movement first: transfer is horizontal, whereas promotion is upward with greater responsibility and status.

OR

24(b). Explain the following methods of training :

(i) Internship training

(ii) Vestibule training [3 marks]

Solution:

Concept:

- Staffing: training develops the knowledge and skills needed to perform a particular job.
- Internship training links educational institutions with business practice; vestibule training simulates the actual work environment away from the workplace.

Step 1: Internship training **Internship training:** This is a joint programme of training in which educational institutions and business firms cooperate. Students continue their regular studies for a prescribed period and also work in a factory or office for practical training. The institution provides theoretical learning, while work in the organisation gives students practical knowledge and experience of actual working conditions. Thus, students learn to relate classroom concepts to real tasks. It is commonly used in professional courses where practical exposure forms part of the educational programme.

Step 2: Vestibule training **Vestibule training:** Employees learn their jobs on the equipment they will use at work, but the training takes place away from the actual workplace. A separate training area duplicates the working environment as closely as possible, using similar materials, files and equipment. Trainees can learn and practise under instruction without interrupting normal production or office work. This method is particularly useful when employees must handle sophisticated machinery or equipment and need familiarity with it before taking up regular duties.

Step 3: Conclusion Internship training combines institutional education with practical work; vestibule training teaches job skills in a separate setting resembling the real workplace.

Quick Tip to Solve: For internship mention cooperation between a college and a firm; for vestibule mention similar equipment in a separate training area.

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

(i) Planning reduces overlapping and wasteful activities.

(ii) Planning promotes innovative ideas. [4 marks]

Solution:

Concept:

- Planning: deciding in advance what is to be done and how it is to be done. It sets objectives and develops an appropriate course of action to achieve them.
- Importance of planning: plans coordinate activities and provide scope for new ideas while selecting future courses of action.

Step 1: (i) Planning reduces overlapping and wasteful activities **Coordination and clarity:** Planning

serves as the basis for coordinating the activities and efforts of different divisions, departments and individuals. A clear plan tells employees what is to be done and how it contributes to organisational objectives, thereby avoiding confusion and misunderstanding.

Removal of waste: When activities are planned, unnecessary duplication and overlapping of work can be identified and eliminated. Planning brings clarity of thought and action and helps work proceed smoothly, reducing useless activities and wastage of resources. For example, coordinated purchasing plans can prevent two departments from independently ordering the same supplies unnecessarily.

Step 2: (ii) Planning promotes innovative ideas **New ideas become concrete plans:** Since planning is the first function of management, new ideas can take the shape of concrete plans at this stage. Managers think about future objectives and consider different ways of achieving them instead of merely continuing past practices.

Creative selection of better methods: Planning requires managers to evaluate alternative courses of action and choose the most suitable one. This intellectual process provides an opportunity to develop creative solutions and improved methods of work. Thus, planning guides future action and helps the enterprise grow and prosper through innovation.

Step 3: Conclusion Planning reduces overlapping and waste by coordinating work and clarifying responsibilities; it promotes innovative ideas by turning creative alternatives into definite courses of action.

Quick Tip to Solve: Link reduced waste to coordination and clarity; link innovation to new ideas taking the form of concrete plans.

OR

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

(i) Planning is a primary function of management.

(ii) Planning is pervasive. [4 marks]

Solution:

Concept:

- Planning: deciding in advance the objectives to be achieved and the course of action to be followed. It bridges the gap between the present position and the desired future position.
- Features of planning: planning precedes other managerial functions and is required throughout the organisation, though its scope differs between levels.

Step 1: (i) Planning is a primary function of management **Basis for other functions:** Planning lays down the foundation for all other functions of management. Organising, staffing, directing and controlling are performed within the framework of the plans drawn up. Managers first decide the objectives and the action needed; they then arrange resources and people to carry out that action.

Planning precedes action: The other functions cannot be performed effectively without knowing what is to be achieved. For example, staffing decisions depend on the activities and manpower needs identified in plans, while controlling compares actual performance with planned standards. This

precedence of planning over the other functions is called the primacy of planning. The functions remain interrelated, but planning provides their starting point.

Step 2: (ii) Planning is pervasive **Required at every level:** Planning is required at all levels of management. Top management plans for the organisation as a whole, middle management makes departmental plans, and lower management plans day-to-day operational activities. Thus, planning is not an exclusive function of top management.

Required in every department: All departments, such as production, marketing, finance and personnel, need plans to guide their work towards common objectives. The scope and nature of planning vary with the level and department: top-level plans are generally broader, while operational plans are more specific and detailed. Nevertheless, every manager must plan within the area of responsibility assigned.

Step 3: Conclusion Planning is primary because it provides the framework for other management functions, and pervasive because it is needed at every managerial level and in every department.

Quick Tip to Solve: For primary, explain the order of management functions; for pervasive, mention both managerial levels and departments.

26. 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 who determine the overall direction of the organisation and are responsible for its welfare and survival.
- The Chief Executive Officer and Chief Operating Officer are top-level executives. Their functions concern the enterprise as a whole, rather than the supervision of individual workers.

Step 1: (a) Identify the level of management **Top-level management:** Shreedar and Mukesh work at the top level of management in Easy Cab. The case states that Shreedar became the 'Chief Executive Officer' and Mukesh the 'Chief Operating Officer'. These senior-most executive positions carry overall responsibility for the business. Shreedar's former position as Operations Manager in another firm does not determine his present level in Easy Cab.

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

- **Formulating overall organisational goals and strategies:** They set the enterprise's broad objectives and decide how to achieve them. The decision to initially provide cab services only in

Goregram illustrates a decision about the overall direction and scope of the business.

- **Analysing the business environment:** They examine the external environment and its implications for the survival and growth of the firm, so that the organisation can respond to opportunities and threats.
- **Integrating diverse elements and coordinating departmental activities:** They bring together the work of different departments and ensure that their activities contribute to the overall organisational objectives, rather than allowing departments to pursue conflicting goals.

Step 3: Conclusion Shreedar and Mukesh are at **top-level management**. Three functions are formulating overall goals and strategies, analysing the business environment, and integrating activities through coordination among departments.

Quick Tip to Solve: Determine the management level from the executives' present positions and the scope of their responsibility, not from their previous jobs.

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27. '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:

- Organisational Structures: a divisional structure groups activities around different products. Each division carries out its own functions and its head is accountable for the division's performance.
- Product specialisation and independent assessment of divisional results support accountability, while duplication of functions across divisions increases costs.

Step 1: (a) Identify the organisational structure **Divisional structure:** Nurata Ltd. has adopted a divisional organisational structure. The company creates 'separate business units', with each unit head 'responsible for a specific product category and for its performance'. Moreover, functions such as marketing, finance and production are performed within each unit. Thus, clothing, electronics and home appliances are organised as distinct product-based divisions, each containing the functions necessary for its operations.

Step 2: (b) Explain two advantages

- **Product specialisation develops managerial skills:** A divisional head gains experience in all functions relating to a product, including production, marketing and finance. This provides a broad understanding of the product business and prepares the manager for higher positions, rather than limiting experience to a single function.

- **Accountability for divisional results:** Each divisional head is responsible for the division's performance. Revenues and costs relating to different divisions can be identified, enabling management to assess their profits separately. Poor performance can therefore be traced to the responsible division, and appropriate corrective decisions can be taken.

Step 3: (b) Explain one disadvantage

- **Duplication of activities increases costs:** Each product division maintains its own functional facilities and personnel, such as marketing and finance staff. Repeating these functions across clothing, electronics and home-appliance divisions increases expenditure and may prevent the economies that could be obtained by sharing common facilities.

Step 4: Conclusion The structure is **divisional**. Two advantages are development of managerial skills through product specialisation and clear accountability for divisional performance. One disadvantage is higher cost due to duplication of activities across divisions.

Quick Tip to Solve: A separate product unit with its own production, finance and marketing functions signals divisional structure; connect its benefits and costs to that arrangement.

28. 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:

- Fayol's principle of division of work recommends dividing work into specialised tasks and assigning them to competent employees.
- Fayol's principle of order requires a proper place for everything and everyone, with everything and everyone in the allotted place.

Step 1: Identify and explain division of work **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". It also says employees wanted work divided according to their competence so that it would "enhance their specialisation". These words show that the salon did not follow division of work.

According to this principle, work should be divided into small, specialised tasks, and each task should

be performed by a trained specialist. Repeated performance of an appropriate task improves an employee's skill, efficiency and accuracy. Specialisation helps produce more and better work with the same effort. Thus, hair styling, makeup and nail care should be assigned according to the employees' respective competence rather than interchanged without regard to their skills.

Step 2: Identify and explain order **Order:** The case states that there was "neither any fixed place for hair care, skin care or nail care materials nor for the employees". This absence of allotted places shows that the principle of order was not followed.

Order means a place for everything and everyone, and everything and everyone in its proper place. Material order requires a suitable, fixed place for tools and materials; social order requires an appropriate place for each employee. Proper order avoids unnecessary searching, confusion and obstruction in work. At the salon, arranging the hair, skin and nail care materials in their designated places and assigning employees suitable workstations would allow activities to proceed smoothly and improve efficiency.

Step 3: Conclusion The two principles not followed are **division of work** and **order**. The first is violated by disregarding employees' specialisation, and the second by having no fixed places for materials or employees.

Quick Tip to Solve: Match "competence and specialisation" with division of work, and "fixed place for materials and people" with order.

29(a). State any four features of the 'Directing' function of management. [4 marks]

Solution:

Concept:

- Directing is the management function of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- Its four features are initiation of action, occurrence at every management level, continuity and downward flow through the hierarchy.

Step 1: State how directing starts work and where it occurs

- **Directing initiates action:** Planning, organising and staffing prepare the organisation for work, whereas directing initiates actual action. Through instructions, guidance, motivation and leadership, managers enable employees to begin carrying out their assigned duties and convert organisational plans into performance.
- **Directing takes place at every level of management:** Every manager, from the top executive to the supervisor, performs directing while dealing with subordinates. For example, the chief executive guides departmental heads, and a supervisor guides workers. Hence, directing is required wherever a superior-subordinate relationship exists; it is not confined to the top level.

Step 2: State its continuity and direction of flow

- **Directing is a continuous process:** Directing continues throughout the life of an organisation. Managers must continually guide, instruct and motivate employees as activities proceed and circumstances change. Even when the individuals occupying managerial positions change, the

need for directing remains; it does not end with the issue of a single instruction.

- **Directing flows from top to bottom:** Directing is initiated at the top level and flows down the organisational hierarchy. A manager directs the immediate subordinate and receives direction from the immediate superior. The process therefore passes through successive levels, so that guidance and instructions reach those responsible for carrying out the work.

Step 3: Conclusion The four features are: directing **initiates action**, **takes place at every level of management**, **is continuous** and **flows from top to bottom**.

Quick Tip to Solve: Recall the four features by asking: What does directing start, where does it occur, when does it continue, and in which direction does it flow?

OR

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

(i) Employee Recognition Programmes

(ii) Job Security [4 marks]

Solution:

Concept:

- Directing: non-financial incentives satisfy psychological, social and emotional needs rather than primarily providing money.
- Employee recognition satisfies the need for appreciation and status, while job security satisfies the need for stability and freedom from fear about continued employment.

Step 1: (i) Employee Recognition Programmes **Meaning:** Recognition means acknowledgement and appreciation of an employee's work and contribution. Most people need evaluation of their work and due appreciation. When good performance is recognised, employees feel valued and their self-esteem and confidence increase.

How it motivates: Recognition reinforces desirable behaviour and encourages employees to repeat good performance. Programmes may include congratulating an employee for good work, displaying the achievement on a notice board or in a company newsletter, giving a certificate or memento, or recognising the contribution in a meeting. Recognition should be timely and linked to a specific achievement so that employees understand which performance is appreciated.

Step 2: (ii) Job Security **Meaning:** Employees want their jobs to be secure and to have a stable future income. An assurance of continued employment reduces anxiety about losing the job and helps them concentrate on their work.

How it motivates: Security gives employees confidence about their future and encourages them to work with greater zeal and commitment. An organisation with a policy of keeping employees in service provides this sense of security. However, complete security may sometimes produce complacency or lethargy. The organisation should therefore combine security with clear performance expectations and accountability so that employees continue to perform effectively.

Step 3: Conclusion Employee recognition programmes motivate through appreciation of achievement;

job security motivates through confidence in continued employment and a stable future income.

Quick Tip to Solve: Link recognition to appreciation and self-esteem, and job security to stability and reduced fear of losing employment.

30. '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 availability and affordability through large-scale production and efficient distribution.
- The product concept stresses superior quality, performance and features through continuous improvement.

Step 1: (a) BNG Ltd.: Production concept **Identification and evidence:** BNG Ltd. follows the **production concept**. The case states that production is at a "large scale", the "average cost of production is low", and products are "widely available across areas at affordable prices".

Explanation: This philosophy assumes that consumers favour products which are widely available and affordable. Management therefore concentrates on achieving high production efficiency, reducing cost per unit through large-scale production, and ensuring wide distribution.

Step 2: (a) KMV Ltd.: Product concept **Identification and evidence:** KMV Ltd. follows the **product concept**. It makes products "superior in quality, performance and features", and its Research and Development team works to "bring improvement in the quality of its products".

Explanation: This philosophy assumes that consumers prefer products of the best quality, performance and innovative features. Management concentrates on improving the product continuously.

Step 3: (b) Differences on the prescribed bases

Basis	Production concept: BNG Ltd.	Product concept: KMV Ltd.
Main focus	Quantity or volume of production; high production efficiency and wide availability.	Quality of the product; continuous improvement in performance and features.
Ends	Profits through volume of production.	Profits through product quality.

Step 4: Conclusion BNG Ltd. follows the production concept, seeking profits through production volume; KMV Ltd. follows the product concept, seeking profits through product quality.

Quick Tip to Solve: Low cost, large-scale output and availability signal production; superior quality and continuous improvement signal product.

31. 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 requirements are the funds needed to acquire long-term assets such as machinery and equipment.
- The scale of operations, financing alternatives, technology upgradation and diversification affect the amount that a business must invest in fixed assets.

Step 1: Scale of operations **Scale of operations:** The case states that Sankalp undertook construction of residential flats on "a land of 30 acres" and that building on "such a large scale required expensive machinery". An organisation operating on a large scale requires more space, machinery and equipment and consequently a larger investment in fixed assets. Hence the large construction project increases the fixed capital requirements of Sankalp Builders compared with a small-scale construction business.

Step 2: Financing alternatives **Financing alternatives:** Sankalp "had the option to buy the machinery or take it on lease". When an asset is purchased, the business must invest a substantial amount in acquiring it. If leasing facilities are available, the business can use the asset by paying lease rentals instead of purchasing it outright. Availability and use of leasing therefore reduce the funds initially required for investment in fixed capital. Buying the bulldozers and excavators would require more fixed capital than taking them on lease.

Step 3: Technology upgradation **Technology upgradation:** His father cautioned that "construction machinery becomes outdated very fast and needs to be replaced". In businesses where technology changes rapidly, existing assets become obsolete sooner and need frequent replacement. Such businesses require a larger provision of funds for the acquisition of updated assets. Thus rapid

obsolescence of construction machinery raises the fixed capital requirements of Sankalp Builders.

Step 4: Diversification **Diversification:** His father said that in future Sankalp might think of "diversifying his operations and would need funds for that too". Diversification means entering additional lines of business or activities. These may require new facilities, equipment and other fixed assets, increasing the investment in fixed capital. Accordingly, plans to diversify would increase the future fixed capital requirements of Sankalp Builders.

Step 5: Conclusion The four factors are **scale of operations, financing alternatives, technology upgradation and diversification**. Large operations, rapid technological obsolescence and diversification increase the requirement; leasing machinery can reduce the initial fixed capital investment.

Quick Tip to Solve: Link each factor to a distinct clue: 30 acres to scale, buy or lease to financing alternatives, outdated machinery to technology, and new operations to diversification.

32(a). Distinguish between 'Primary Market' and 'Secondary Market' on the basis of any six points.

[6 marks]

Solution:

Concept:

- Financial Markets: the primary market deals in new securities issued for the first time, while the secondary market deals in the purchase and sale of existing securities.
- Both are parts of the capital market. The primary market raises capital for issuers, while the secondary market provides liquidity and marketability to investors.

Step 1: Identify the two segments of the capital market A primary-market transaction brings a newly issued security to investors and supplies funds to its issuer. A secondary-market transaction transfers an already issued security from one investor to another. This distinction explains the differences in the parties, flow of funds and economic functions shown below.

Step 2: Distinguish on six bases

Basis	Primary Market	Secondary Market
1. Nature of securities	Deals in new securities issued for the first time; it is also called the new issue market.	Deals in existing securities that have already been issued; it is also called the stock market.
2. Parties involved	Securities are sold by the issuing company to investors, directly or through intermediaries.	Securities are bought and sold between investors; the issuing company is not a party to the transaction.
3. Flow of funds	Funds move from investors to the issuing company, providing capital to it.	Funds move from the buyer to the selling investor; the company receives no fresh funds from this trade.
4. Direction of transactions	The company sells new securities to investors; it does not buy them in this market.	Investors can both buy and sell existing securities through the market.
5. Price determination	The price is determined by the issuing company's management, including through the prescribed issue-pricing process.	Prices are determined by the interaction of demand and supply in the market.
6. Main function	Directly promotes capital formation by providing funds for new projects, expansion and diversification.	Provides liquidity and marketability to existing securities, thereby supporting capital formation indirectly.

Step 3: Conclusion Thus, the primary market creates and places new securities and raises funds for companies; the secondary market enables investors to trade existing securities and obtain liquidity.

Quick Tip to Solve: Ask who receives the money: an issuing company indicates the primary market, while a selling investor indicates the secondary market.

OR

32(b). Explain the following factors affecting dividend decision of a company :

(i) Growth opportunities

(ii) Cash flow position

(iii) Stock market reaction

(iv) Access to capital market [6 marks]

Solution:

Concept:

- Financial Management: The dividend decision determines how much of the profit is distributed to shareholders and how much is retained in the business.
- Retained earnings finance future investment, whereas dividend payments provide current income to shareholders and require sufficient cash.

Step 1: (i) Growth opportunities **Growth opportunities:** Companies with good growth opportunities generally retain a larger portion of their earnings to finance investment requirements. Retained

earnings provide an internal source of funds for expansion and new projects. Consequently, such companies can distribute a smaller proportion of their profits as dividend. A company with fewer profitable growth opportunities can distribute a larger proportion because its need to retain funds is lower.

Step 2: (ii) Cash flow position **Cash flow position:** Payment of dividend involves an outflow of cash. Therefore, the company must have sufficient cash available to meet the payment. A strong cash flow position supports a higher dividend, while a weak cash flow position restricts the amount that can be distributed. Accounting profit alone is insufficient: even a profitable company may be unable to pay a large dividend if its funds are tied up in debtors, inventory or other assets.

Step 3: (iii) Stock market reaction **Stock market reaction:** Investors often interpret an increase in dividend as good news and a reduction as bad news. An increase can therefore have a favourable effect on the market price of shares, while a reduction may have an adverse effect. Management considers the likely reaction of investors and its effect on the share price when deciding the dividend. It should consider shareholders' expectations before changing the payout.

Step 4: (iv) Access to capital market **Access to capital market:** Large and reputed companies usually have easy access to the capital market and can raise funds from external sources when required. Their dependence on retained earnings is therefore lower, allowing them to pay higher dividends. Companies with limited access to the capital market generally need to retain more earnings to finance their requirements and consequently tend to pay lower dividends.

Step 5: Conclusion Greater growth opportunities and a weak cash position restrict dividends, while a strong cash position and easy access to the capital market favour a higher payout. The expected stock market reaction also influences the final decision.

Quick Tip to Solve: For each factor, connect it to either the need to retain profits, the cash available to pay, or shareholders' reaction to the payout.

33. 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, ideas, feelings and views 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 specifically illustrates the content, conversion and transmission of a proposal.

Step 1: (a) Identify and explain the element of directing **Communication:** The element of directing highlighted is communication. It is the process through which information, ideas, feelings and views are exchanged between two or more persons to create common understanding. Sara conveys her proposal for charging stations to the government. Effective communication requires that the recipient understands the proposal in the sense intended by the person communicating it; merely transmitting words does not ensure such understanding.

Step 2: (b) Four elements illustrated in the case **Sender:** The sender is the person who conveys thoughts or ideas to the receiver. Sara is the sender. The line "Sara shared her thoughts and ideas with her father" identifies her as a communicator; she also prepares and presents the proposal to the government.

Message: The message is the content of ideas, feelings and suggestions intended to be communicated. The relevant line is: "The proposal contained her ideas, feelings and suggestions which she intended to convey to the government." The proposal about collaboration for charging stations is her message.

Encoding: Encoding means converting the message into communication symbols such as words and pictures. The line is: "She then converted her ideas, feelings and suggestions into words and pictures." Her use of clear language, charts and graphs helps represent the ideas understandably.

Media: Media is the path or channel through which an encoded message is transmitted to the receiver. The case states: "She now had to choose a path through which her proposal would be transmitted to the government." The chosen medium is shown by: "Sara had a face-to-face meeting with the government and presented her ideas directly."

Step 3: (c) Three other elements of the communication process **Decoding:** Decoding is the process of converting the encoded symbols received into meaning so that the recipient can understand the message.

Feedback: Feedback consists of the receiver's responses that indicate receipt and understanding of the message. It enables the sender to judge whether the communication has been understood as intended.

Noise: Noise means an obstruction or hindrance to communication. It may occur at any stage, for example through an unclear message, inattentiveness or faulty transmission, and can distort understanding. The case does not describe such a disturbance or a response from the government.

Step 4: Conclusion The element of directing is communication. The four illustrated process elements are sender, message, encoding and media; decoding, feedback and noise are three other elements not discussed in the case.

Quick Tip to Solve: Link the person to sender, the proposal's content to message, words and pictures to encoding, and the face-to-face meeting to media.

34(a). Explain any four features of marketing. [6 marks]

Solution:

Concept:

- Marketing Management: Marketing identifies consumer needs and satisfies them through the creation and exchange of products and services that offer value.
- NCERT identifies four features of marketing: needs and wants, creating a market offering, customer value, and an exchange mechanism.

Step 1: Explain needs and wants **Needs and wants:** Marketing begins with identifying the needs and wants of individuals and organisations. A need is a state of felt deprivation, such as the need for food or clothing. A want is the particular form in which a person wishes to satisfy a need, shaped by culture and personality. A marketer studies these needs and wants and develops goods or services to satisfy them. Thus, understanding consumers, rather than merely producing goods, is the starting point of marketing.

Step 2: Explain the market offering **Creating a market offering:** A market offering is the complete offer made to the customer, consisting of a product or service with its features, quality, design and other benefits, offered at a particular price and made available at a particular place. Marketing involves creating such an offering to meet the target customers' needs. For example, a seller of school bags decides the bag's size, durability, compartments and price so that the overall offer suits students.

Step 3: Explain customer value **Customer value:** Customers generally choose the offering that gives them the greatest perceived value in relation to its cost. Value depends on the benefits received, such as quality, convenience and service, compared with what the customer gives up to obtain them. Marketers therefore aim to add value to their offering and communicate its benefits. A low price alone does not ensure customer value if the product fails to satisfy the buyer's needs.

Step 4: Explain the exchange mechanism **Exchange mechanism:** Marketing operates through exchange, in which people obtain what they need by offering something of value in return. It requires at least two parties, each having something valuable to the other, the ability to communicate and deliver, and the freedom to accept or reject the offer. The parties must be willing to transact with each other. For example, a consumer receives a bag and the seller receives payment; each obtains something it values.

Step 5: Conclusion The four features of marketing are needs and wants, creating a market offering, customer value, and an exchange mechanism. Together, they show how marketing satisfies customers through valuable offerings and voluntary exchange.

Quick Tip to Solve: Recall the sequence: identify needs, create an offering, provide value, and enable exchange; explain each heading separately.

OR

34(b). Explain any four important elements of marketing mix. [6 marks]

Solution:

Concept:

- Marketing Management: The marketing mix is the set of marketing tools a firm uses to pursue its marketing objectives in its target market.
- Its four main elements are product, price, place and promotion, commonly called the four Ps. A firm combines these controllable elements to satisfy customers effectively.

Step 1: Explain product **Product:** Product means the goods or services, or anything of value, offered to customers to satisfy their needs and wants. It includes the physical item as well as the benefits associated with it, such as after-sales service and the handling of complaints. Product decisions cover features, quality, design, branding, packaging and labelling. For example, a refrigerator manufacturer decides its capacity, energy efficiency, brand name, packaging and service support. These decisions make the offering useful and attractive to the target customers.

Step 2: Explain price **Price:** Price is the amount of money a customer must pay to obtain the product. It influences demand and the firm's sales revenue and profitability. Pricing decisions include determining the basic price and the discounts, allowances, credit terms and payment terms offered to buyers. A firm considers factors such as cost, customer demand, competition and its pricing objectives while setting the price. The price should suit the value offered and the firm's target market.

Step 3: Explain place or physical distribution **Place:** Place refers to activities that make the product available to target customers at the right place and time. It includes selecting channels of distribution

and deciding whether to sell directly or through intermediaries such as wholesalers and retailers. It also includes physical distribution decisions concerning order processing, transportation, warehousing and inventory. For example, a firm may use retailers near residential areas and maintain adequate stocks so that customers can conveniently obtain its products.

Step 4: Explain promotion **Promotion:** Promotion consists of activities that communicate the product's availability, features and merits to customers and persuade them to buy it. The promotion mix includes advertising, personal selling, sales promotion and public relations. A firm chooses and combines these tools according to the product, target audience and resources available. For example, it may advertise a new product, use salespersons to explain it and offer a temporary discount to encourage trial. Promotion helps customers understand the offering and supports sales.

Step 5: Conclusion Product, price, place and promotion are the four important elements of the marketing mix. Their coordinated use helps a firm offer suitable value, charge an appropriate price, ensure availability and communicate with its target customers.

Quick Tip to Solve: Use the four Ps as headings: what is offered, what the buyer pays, where it is available, and how buyers are informed and persuaded.