CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/6/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. 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, political conditions and policy priorities.
- Identify the dimension highlighted by the cause in a case, even when it also produces an economic effect.

Step 1: Identify the decisive clue The case emphasises the 'attitude of the Buleti government towards foreign car manufacturers'. Its protection of local manufacturers through high import duties reflects the government's policy attitude towards foreign business. This points to the political environment.

Step 2: Check the remaining alternatives The social environment concerns customs, values and social trends, which are absent here. The legal environment focuses on the framework of laws and statutory requirements; the emphasis here is on the government's attitude. The economic environment concerns conditions such as income, interest rates and inflation. Higher import cost is the consequence in this case, while the highlighted cause is political.

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

Quick Tip to Solve: Underline the stated cause: government attitude towards foreign business indicates the political environment, even when costs also rise.

2. 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: its importance includes initiating action, integrating efforts, motivating employees, facilitating change, and bringing stability and balance.
- Planning supplies standards; controlling uses those standards to evaluate actual performance.

Step 1: Separate directing from planning Directing guides, instructs, motivates and leads employees to perform the planned work. Establishing standards for controlling is a role of planning: plans specify the expected results against which actual performance can later be compared.

Step 2: Test each statement Option (A) is a valid importance of directing because direction converts plans into action. Option (B) is valid because effective leadership, communication and motivation promote cooperation, stability and balance. Option (C) is valid because direction helps employees understand and accept needed changes. Option (D) attributes the setting of control standards to directing and is therefore the incorrect statement.

Step 3: Conclusion Establishing standards for controlling is not an importance of directing. Hence, the correct option is (D).

Quick Tip to Solve: For an incorrect-statement question, identify the function behind each claim: setting expected results belongs to planning.

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

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

(A) Taking corrective action

(B) Measurement of actual performance

(C) Analysing deviations

(D) Comparing actual performance with standards

Correct Answer: (A) Taking corrective action

Solution:

Concept:

- Controlling: taking corrective action is the final step after measurement, comparison and analysis of deviations.
- Corrective action can include revision of standards when they prove unrealistic despite genuine efforts to achieve them.

Step 1: Identify what the manager changes The case states that 'in spite of best efforts' the manager could not reduce defects, so 'he decided to revise the standards'. Revision of an unattainable standard is a form of corrective action under the controlling process.

Step 2: Distinguish the earlier control steps Measurement, option (B), establishes the actual defect rate. Comparison, option (D), reveals that it exceeds 10 per 1,000 pieces. Analysis, option (C), investigates the reasons and importance of that deviation. These steps precede the manager's response. Revising the standards is the response itself, so it falls under option (A).

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

Quick Tip to Solve: When the case ends with revising an unrealistic standard, classify that response as corrective action rather than comparison.

4. Read the following statements carefully :

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

Statement II : Planning is prescriptive whereas Controlling is evaluative.

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

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

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

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

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

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

Solution:

Concept:

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

Step 1: Evaluate Statement I Statement I is true. Planning looks forward by deciding future action but uses past experience in preparing plans. Controlling looks backward by examining completed performance, yet the resulting corrective action improves future performance. Thus, both functions possess both orientations.

Step 2: Evaluate Statement II and the choices Statement II is also true. Planning prescribes the objectives and course of action, while controlling evaluates whether actual performance conforms to those plans and standards. Option (A) wrongly rejects Statement II; option (B) wrongly rejects Statement I; option (D) wrongly rejects both. Option (C) alone accepts both true statements.

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

Quick Tip to Solve: Remember the paired words: planning prescribes future action, while controlling evaluates results and improves future action.

5. 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:

- Marketing Management: from the customer viewpoint, a product is a bundle of utilities that satisfies a need.
- The customer purchases the benefit or satisfaction offered by a product or service, rather than merely its physical form.

Step 1: Judge the assertion Assertion (A) is true. A buyer buys a product or service for its usefulness: what it does for the buyer or the benefit it provides. Need satisfaction is therefore central to the customer's buying decision.

Step 2: Judge the reason Reason (R) is true. The NCERT customer-oriented view describes a product as a bundle of utilities purchased for its capacity to satisfy a need. These utilities explain why an offering has value for its buyer.

Step 3: Check the explanatory link The reason directly explains the assertion: because the product embodies need-satisfying utilities, a customer purchases it for the benefits it delivers. Option (B) incorrectly denies this link. Options (C) and (D) each incorrectly declare one of the two true statements false.

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

Quick Tip to Solve: In this assertion-reason pair, connect product utilities to customer benefits; that direct connection establishes the explanation.

6. 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: a consumer should ask for a cash memo on purchasing goods or services.
- A cash memo records the purchase and provides documentary evidence for seeking redressal of a consumer grievance.

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. This is the specific consumer responsibility highlighted by the absence of documentary evidence when the mattress developed a defect.

Step 2: Eliminate the unrelated duties Option (A) concerns avoiding waste and pollution, which the case does not discuss. Option (C) concerns asserting oneself to obtain a fair deal; the decisive failure stated here is the missing purchase receipt. Option (D) concerns understanding risks and following safe-use instructions, and no misuse is described. Option (B) identifies the precise responsibility Raghu neglected.

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

Quick Tip to Solve: When a grievance case highlights a missing receipt, select the responsibility to obtain and retain the cash memo.

7. 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 that managers adapt through judgement to particular situations.
- Business situations are complex and dynamic and arise from the interaction of many factors.

Step 1: Judge the assertion Assertion (A) is true. Principles guide managerial decisions but are not ready-made, rigid answers to every problem. A manager must consider the actual circumstances and adapt the application of a principle accordingly.

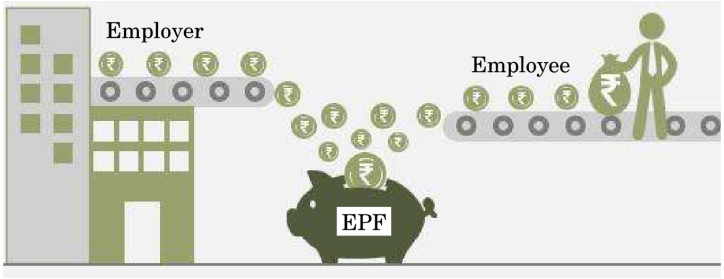
Step 2: Judge the reason Reason (R) is false. It states that real business situations are neither complex nor dynamic and are not the result of many factors. In fact, such situations are complex, change over time, and involve several interacting factors. This is why mechanical application of principles is unsuitable.

Step 3: Check the link and eliminate options A false reason cannot correctly explain the true assertion. Options (A) and (B) both wrongly accept the reason as true; option (D) wrongly rejects the assertion and accepts the reason. Option (C) alone combines a true assertion with a false reason.

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

Quick Tip to Solve: Watch for the negatives in the reason: business situations are complex and dynamic, so the claim denying both is false.

8. 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:

- Provident fund is a retirement benefit that provides financial security after the employee retires.
- Employer and employee contributions accumulate in the provident fund during employment.

Step 1: Read the clue in the picture The picture labels the fund as EPF, meaning Employees' Provident Fund, and shows contributions coming from both the employer and the employee. The accumulated fund supports the employee after retirement, so the financial incentive belongs to retirement benefits.

Step 2: Eliminate the other incentives A stock option offers ownership through shares. Perquisites are additional benefits such as housing or medical facilities. A productivity-linked wage incentive links wages to output or performance. None of these describes the EPF contributions shown in the picture.

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

Quick Tip to Solve: Use the label EPF and the contribution arrows to identify a retirement benefit.

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

8. 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: Bonus is a financial incentive offered over and above the wages or salary paid to employees.
- Financial incentives can reward employees through additional payments, profit participation, share ownership or benefits connected with employment.

Step 1: Identify the incentive from the definition The decisive words are "over and above the wages/salary". NCERT describes bonus as an incentive offered in addition to wages or salary. The question supplies this defining feature without linking the payment to a particular level of output or a share of the organisation's profits.

Step 2: Check the remaining options Option (A), productivity-linked wage incentive, links payment to an increase in productivity. Option (C), profit sharing, gives employees a share in the organisation's profits. Option (D), stock option, offers shares to employees at a price below the market price. Each has a specific feature beyond the general additional payment stated here, whereas option (B), bonus, matches the given definition directly.

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 output, profits or shares before choosing the other incentives.

9. 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:

- Under the NCERT jurisdiction limits tested here, the District Commission hears complaints where the value of goods or services paid as consideration does not exceed Rs 1 crore.
- The consideration actually paid is relevant, rather than the total agreed price including the unpaid balance.

Step 1: Identify the amount actually paid The case states, "An amount of Rs 20 lakh each was paid" and "they paid additional Rs 80 lakh each". These instalments make Rs 1 crore paid as consideration by each buyer for his flat. The remaining Rs 25 lakh was payable at registration and had not been paid. Thus, the agreed price of Rs 1.25 crore must not be used in place of the amount already paid.

Step 2: Apply the jurisdiction limit Rs 1 crore falls within the District Commission limit, including its upper boundary. The State Commission covers consideration above Rs 1 crore up to Rs 10 crore under this textbook classification, and the National Commission covers consideration exceeding Rs 10 crore. Local Commission is not a tier of the statutory three-level redressal machinery.

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

Quick Tip to Solve: For this textbook jurisdiction question, total the paid instalments and exclude the unpaid registration balance.

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

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

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

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

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

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

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

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

Solution:

Concept:

- Organising begins with identifying and dividing work, followed by departmentalisation, assignment of duties and establishment of reporting relationships.
- Each step has a distinct purpose: avoiding duplication, grouping similar work, allocating jobs, and clarifying authority.

Step 1: Match work division and departmentalisation Identification and division of work matches (iii), which refers to identifying planned work and dividing it to avoid duplication and share the burden. Departmentalisation matches (ii), whose decisive phrase is "activities similar in nature are grouped together".

Step 2: Match duties and reporting relationships Assignment of duties matches (iv), because work is allocated to employees according to the requirements of job positions. Establishing authority and reporting relationships matches (i), which creates the hierarchy and enables co-ordination. Option (A) interchanges the last two matches, (B) wrongly matches the first step with hierarchy, and (D) wrongly matches the first step with allocation of duties.

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

Quick Tip to Solve: Match the distinctive verbs first: group means departmentalisation; allocate means assignment of duties.

11. Which of the following is not an advantage of functional structure of an organisation ? [1 mark]

(A) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations.

(B) It makes training of employees easier as the focus is on limited range of skills.

(C) It helps in increasing managerial and operational efficiency.

(D) It leads to occupational specialization since emphasis is placed on specific functions.

Correct Answer: (A) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations.

Solution:

Concept:

- A functional structure groups jobs according to specialised functions such as production, finance and marketing.
- A divisional structure groups activities around products and makes it easier to add new product divisions.

Step 1: Identify the advantage belonging to divisional structure The statement about adding new divisions without interrupting existing operations describes the flexibility of a divisional structure. Each division handles its product activities, making expansion into new product lines easier. It is therefore not an advantage of functional structure.

Step 2: Check the remaining statements Option (B) is an advantage of functional structure because employees concentrate on a limited range of skills, simplifying training. Option (C) is also an advantage: functional expertise improves managerial and operational efficiency. Option (D) correctly describes occupational specialisation arising from repeated focus on a specific function.

Step 3: Conclusion Adding new divisions without disturbing existing operations is an advantage of divisional structure. Hence, the correct option is (A).

Quick Tip to Solve: Notice the word "not" and associate independent new divisions with divisional structure.

12. '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:

- Discipline means obedience to organisational rules and employment agreements necessary for the working of the organisation.

- Fayol associated effective discipline with good superiors, clear and fair agreements, and judicious application of penalties.

Step 1: Identify the defining words The expression "obedience to organisational rules and employment agreements" is the defining feature of discipline. Both employees and management must respect the agreements and rules so that organisational work proceeds in an orderly manner.

Step 2: Distinguish the other principles Division of work concerns specialisation by dividing tasks, rather than obedience. Scalar chain concerns the formal line of authority from the highest to the lowest rank. Remuneration of employees concerns fair and satisfactory compensation. These principles do not express the obedience described in the question.

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

Quick Tip to Solve: Link obedience to rules and employment agreements directly with Fayol's principle of discipline.

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13. '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 individuals to achieve unity of action towards organisational objectives.
- Different departments may pursue their own objectives; coordination harmonises these interdependent activities.

Step 1: Connect the case evidence to the concept The CEO asked managers to "consult each other

while performing their activities". By "linking the activities of all the departments", he aligned production, marketing and sales. This ensured that advertisements matched product availability and that products were available when needed, demonstrating unity of action.

Step 2: Rule out the other functions Organising establishes the structure and allocates work and authority; the separate departments already existed here. Planning decides objectives and courses of action, whereas this case emphasises integrating departmental efforts. Staffing concerns obtaining and developing suitable personnel, and no recruitment or placement is described.

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

Quick Tip to Solve: When departments consult one another to synchronise interdependent activities, identify coordination.

14. 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:

- Trading on equity refers to the increase in profit earned by equity shareholders due to the presence of fixed financial charges.
- Financial leverage describes the use or proportion of debt in the capital structure; favourable use of debt can increase the earnings available to equity shareholders.

Step 1: Identify the precise definition The question focuses on the increase in equity shareholders' profit resulting from fixed financial charges, such as interest on debt. When the return earned on the borrowed funds exceeds their cost, the surplus benefits equity shareholders. This favourable effect is called trading on equity.

Step 2: Distinguish the related terms Financial risk is the risk of inability to meet fixed financial obligations. Financial planning estimates fund requirements and their timing and sources. Financial leverage refers to the use of debt in the capital structure; trading on equity specifically names the increase in shareholders' earnings described here. Thus, (D) is related but is not the precise term asked for.

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

Quick Tip to Solve: Distinguish the use of debt (financial leverage) from its favourable effect on equity earnings (trading on equity).

15. '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:

- Gathering and analysing market information identifies customer needs and assesses opportunities, threats, strengths and weaknesses.
- Apply the NCERT distinction between this concept and the related alternatives given in the question.

Step 1: Identify the function from the case The words 'identify the needs of the customers' and 'analysis of the available opportunities and threats, as well as strengths and weaknesses' describe gathering and analysing market information. This information enables the business to identify opportunities it can pursue successfully.

Step 2: Compare the other functions Marketing planning formulates a plan to achieve marketing objectives. Product designing and development concerns the features, quality and design of a product. Branding gives a product a distinctive name, mark or symbol. None of these is the information-analysis function described here.

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

Quick Tip to Solve: Link customer needs and SWOT analysis to gathering and analysing market information.

16. 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:

- Functional foremanship is a technique of scientific management that extends specialisation to shop-floor supervision.
- Apply the NCERT distinction between this concept and the related alternatives given in the question.

Step 1: Check the disputed principle Under functional foremanship, the work of supervision is divided among eight specialists. A worker receives guidance from different foremen in their respective areas. Unity of command, however, requires an employee to receive orders from only one superior. Thus functional foremanship conflicts with unity of command; it is not its extension.

Step 2: Verify the remaining statements Option (A) correctly describes the separation of planning from execution. Option (B) correctly lists the four foremen under the production incharge: speed boss, gang boss, repair boss and inspector. Option (D) correctly states that each worker takes orders from eight foremen. Hence these three statements are not the incorrect statement sought.

Step 3: Conclusion The incorrect statement is option (C). Functional foremanship extends specialisation to the shop floor, not unity of command.

Quick Tip to Solve: For functional foremanship, remember eight specialist bosses; unity of command means one boss.

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17. 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:

- Stock-exchange trading proceeds from placing an order to matching it, executing the trade and issuing a contract note.
- Apply the NCERT distinction between this concept and the related alternatives given in the question.

Step 1: Arrange the steps in operational order After registering with a broker and opening the necessary accounts, the investor places an order stating the quantity and price: (iii). The broker then connects online to the stock exchange and matches the share and best available price: (i). When the specified price is available, the order is executed electronically: (iv). After execution, the broker issues a contract note within 24 hours: (ii).

Step 2: Eliminate the incorrect sequences Option (B) puts matching and the contract note before the investor places an order. Option (C) starts with execution and even places the contract note before the order. Option (D) puts execution before the broker connects and matches the order. All violate the required operational sequence.

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

Quick Tip to Solve: Use the sequence: place the order, match it, execute it, then issue the contract note.

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18. 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:

- Single-use plans serve a specific, non-recurring purpose; standing plans guide activities that recur regularly. Policies are standing plans.
- Apply the NCERT distinction between this concept and the related alternatives given in the question.

Step 1: Evaluate Statement I Statement I is false. A single-use plan is developed for a one-time event or project, such as a particular programme or budget for a specific purpose. Regularly recurring activities call for standing plans, which can be used repeatedly in similar situations.

Step 2: Evaluate Statement II and the alternatives Statement II is true. Policies are general guidelines that channel thinking and specify the organisation's response to a particular situation. As a type of standing plan, they help managers deal consistently with recurring situations. Option (A) reverses the two truth values; option (C) wrongly accepts Statement I; option (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 recurs: recurring situations use standing plans, including policies.

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19. 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 relief against defective goods or deficient services.
- Apply the NCERT distinction between this concept and the related alternatives given in the question.

Step 1: Identify the right from the relief described The case mentions 'replacement of the product', 'removal of defect' and 'compensation'. These are remedies for a consumer who suffers loss or injury because of defective goods or deficient services. The right that enables the consumer to obtain such relief is the right to seek redressal.

Step 2: Distinguish the other rights The right to safety protects consumers against goods and services hazardous to life and health. The right to be assured concerns access to a variety of goods and services at competitive prices. The right to be heard ensures that consumer interests receive due consideration and complaints can be voiced. Seeking a remedy or compensation specifically identifies redressal.

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

Quick Tip to Solve: Replacement, repair, refund or compensation signals the right to seek redressal.

20. 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 in the securities market. Registration of market intermediaries is regulatory.
- Apply the NCERT distinction between this concept and the related alternatives given in the question.

Step 1: Identify the regulatory activity Registration of brokers, sub-brokers and other market players is a regulatory function of SEBI. Registration brings these intermediaries within the prescribed

framework for participation in the securities market and enables SEBI to regulate their conduct. Thus option (A) matches the category asked.

Step 2: Classify the remaining functions Training intermediaries in option (B) is a developmental function. Promoting fair practices and a code of conduct in option (C) is a protective function. Conducting research and publishing useful information in option (D) is a developmental function. These activities serve different purposes from the registration and regulation of market participants.

Step 3: Conclusion The correct option is (A): Registration of brokers and sub-brokers and other players in the market.

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

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

(i) Making efficient use of resources

(ii) Improving employee motivation [3 marks]

Solution:

Concept:

- Controlling: importance of the controlling function in ensuring efficient use of resources and improving employee motivation.
- Controlling compares actual performance with predetermined standards, identifies deviations and initiates corrective action so that organisational activities proceed towards the desired results.

Step 1: (i) Making efficient use of resources

- **Making efficient use of resources:** Controlling requires each activity to be performed according to predetermined standards and norms. Managers check actual performance against these standards to identify waste, spoilage, duplication or inefficient use of inputs.
- When deviations are detected, corrective action helps reduce the wastage of human, material and financial resources. This ensures that the resources available to the organisation are used effectively and efficiently in carrying out its activities.

Step 2: (ii) Improving employee motivation

- **Improving employee motivation:** Controlling makes employees aware of the standards of performance expected of them and the basis on which their work will be evaluated. They therefore know what they are expected to achieve.
- Clear standards and an objective appraisal of performance reduce uncertainty. Employees are encouraged to work with greater commitment and improve their performance because they can relate their efforts to definite expectations and performance assessment.

Step 3: Conclusion Controlling promotes efficient resource use by detecting and correcting wastage, and improves employee motivation by clarifying expected standards and the basis of performance appraisal.

Quick Tip to Solve: Link resource efficiency to standards and corrective action; link motivation to clear expectations and objective appraisal.

OR

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

Solution:

Concept:

- Staffing: training is the systematic process of increasing employees' knowledge and skills for performing a specific job.
- Benefits of training to employees include career growth, improved earnings and better safety at work. These benefits relate directly to employees rather than merely to the employer's productivity.

Step 1: State the benefits relating to growth and earnings

- **Better career prospects:** Training improves employees' skills and knowledge. Better skills help individuals perform their work competently and prepare them for increased responsibilities, thereby improving their career prospects and opportunities for advancement within the organisation.
- **Higher earnings:** Training improves employees' performance by enabling them to carry out their duties more efficiently and effectively. Improved performance helps employees earn more, particularly where rewards or incentives are linked to their performance.

Step 2: State the benefit relating to safety

- **Fewer accidents:** Training teaches employees the correct way to operate machines and equipment, along with the necessary precautions. Employees can therefore handle machines more safely and efficiently, become less prone to accidents and protect themselves from avoidable injury while performing their jobs.

Step 3: Conclusion Any three benefits of training to employees are better career prospects, higher earnings through improved performance, and fewer accidents through safer handling of machines and equipment.

Quick Tip to Solve: For benefits to employees, state personal gains: career advancement, earnings and safety; explain how training produces each gain.

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

(i) Transfers

(ii) Promotions [3 marks]

Solution:

Concept:

- Staffing: internal recruitment fills vacancies by using employees who already work within the organisation.
- Transfers and promotions are internal sources of recruitment. A transfer involves a horizontal movement, whereas promotion involves movement to a higher position.

Step 1: (i) Explain transfers

- **Transfers:** A transfer shifts an employee from one job, department, branch or shift to another

without a substantive change in responsibilities and status. It is a horizontal movement and usually does not involve a change in salary.

- Transfers fill vacancies by moving existing employees to positions where they are needed. They may correct an imbalance between departments with excess staff and those facing a shortage, or train employees to handle different kinds of work. The employee continues at substantially the same organisational level.

Step 2: (ii) Explain promotions

- **Promotions:** A promotion shifts an employee to a higher position carrying greater responsibilities, facilities, status and pay. It is an upward or vertical movement in the organisational hierarchy.
- Through promotion, a higher-level vacancy is filled by an employee already working at a lower level. Promotion recognises employees' contribution and can motivate them to improve their performance. The vacancy created at the lower level may then be filled through another internal movement or through recruitment from outside.

Step 3: Conclusion Transfers fill vacancies through horizontal movement without a substantive change in status or responsibilities; promotions fill higher positions through upward movement involving increased responsibility, status and pay.

Quick Tip to Solve: Remember the direction of movement: transfer is horizontal at a similar level; promotion is vertical to a higher position.

OR

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

(i) Internship training

(ii) Vestibule training [3 marks]

Solution:

Concept:

- Staffing: Training and development improve employees' knowledge and skills for performing their jobs effectively.
- Internship training combines classroom learning with practical work; vestibule training reproduces the actual workplace away from the work floor.

Step 1: (i) Internship training **Internship training:** This is a joint programme of educational institutions and business enterprises. Students continue their regular studies for a prescribed period and also work in a factory, office or other organisation to acquire practical knowledge and skills. The organisation provides supervised exposure to real work situations, so students learn to apply what they study in the classroom. For example, a management student may work in a business as an intern while completing the course. Thus, academic learning is combined with practical experience.

Step 2: (ii) Vestibule training **Vestibule training:** Employees learn their jobs on the equipment they will use, but the training is conducted away from the actual work floor. A separate training area simulates the real work environment, using the same or similar materials, files and equipment.

This permits practice under a trainer's supervision without interrupting regular production. It is particularly suitable when employees must handle sophisticated machinery and equipment and need practice before working in the actual production setting.

Step 3: Conclusion Internship training links formal education with practical work in an enterprise, while vestibule training develops job skills in a simulated workplace away from the actual work floor.

Quick Tip to Solve: Link internship with an institution–enterprise programme and vestibule with a simulated work environment away from production.

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

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

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

Solution:

Concept:

- Organising: Delegation is the transfer of authority from a superior to a subordinate to enable the subordinate to perform assigned responsibilities.
- Delegation involves authority, responsibility and accountability; it allows a manager to share work while remaining accountable for its overall accomplishment.

Step 1: (a) Identify the concept **Delegation of authority:** Tarun assigned Nikhil responsibility for sales and gave him the authority needed to carry it out. The case states that Nikhil was "given the authority to take decisions" and "had to report directly to Tarun". These words show the assignment of responsibility, grant of authority and creation of accountability between a superior and a subordinate.

Step 2: (b) Effective management **Effective management:** By empowering subordinates, delegation enables managers to function more efficiently. Managers gain time to concentrate on important matters and improve performance in the areas they retain. In the case, assigning sales work to Nikhil meant that "Tarun was able to concentrate on more important matters". This reduced Tarun's excessive workload while ensuring that the sales function received attention.

Step 3: (b) Employee development **Employee development:** Delegation gives employees opportunities to use their abilities, gain experience and develop skills for more responsible positions. When subordinates exercise authority and take decisions, they learn to manage independently. Nikhil was authorised "to take decisions" and was "to guide sales representatives"; this opportunity to manage sales and direct others helps develop his managerial ability.

Step 4: Conclusion Tarun used delegation of authority. Two points of its importance are effective management and employee development.

Quick Tip to Solve: Identify the superior–subordinate transfer of authority, then connect each importance point to a separate phrase in the case.

24. 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 the environment keeps changing through shifts in consumer preferences, technology, competition and other forces.
- Inter-relatedness means that the different elements of the business environment are closely connected and influence one another.

Step 1: Dynamic nature **Dynamic nature:** The business environment is constantly changing. Consumer tastes and preferences, among other forces, do not remain fixed, so businesses must adjust to new conditions. The case states that "Young consumers are moving away from consuming traditional sweets to buying more western style premium products which are baked or steamed". This change in demand shows the dynamic nature of the environment. Shree Restaurants is responding by planning healthy savoury and sweet foods and ready-to-eat items.

Step 2: Inter-relatedness **Inter-relatedness:** The elements of the business environment are closely related; a change in one can influence other elements. The case states that "Increased life expectancy of people and increased awareness for health care amongst consumers has increased the demand for healthy food options". Thus, changes in people's life expectancy and health consciousness influence their consumption preferences and market demand. It also states that "These new healthy products are expected to change people's lifestyles". This shows the connection in the other direction: the products offered by businesses can influence lifestyles. The environmental elements therefore affect one another rather than operating in isolation.

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

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

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

(i) Planning facilitates decision-making.

(ii) Planning establishes standards for controlling. [4 marks]

Solution:

Concept:

- Planning: importance of planning in selecting a course of action and providing the basis for controlling.
- Planning decides in advance what is to be done and how it is to be done. Its objectives guide decisions and become standards for assessing actual performance.

Step 1: (i) Planning facilitates decision-making **Choice among alternatives:** Planning helps a manager look into the future and identify alternative courses of action for achieving the stated objectives. The manager evaluates each alternative by considering its likely costs, benefits and consequences, and selects the most suitable course. Thus, planning involves choosing the best alternative and helps managers make rational decisions instead of acting arbitrarily. For example, a plan to increase sales requires a decision between such alternatives as opening new outlets and using existing distribution channels more effectively. The objective provides the basis for evaluating these choices.

Step 2: (ii) Planning establishes standards for controlling **Basis for comparing performance:** Planning sets objectives and specifies the results to be achieved. These planned results serve as standards against which actual performance is measured during controlling. A comparison reveals deviations, so managers can investigate their causes and take corrective action. For example, a planned monthly sales target provides the standard for checking the sales actually achieved. Without predetermined targets, managers would lack a clear basis for deciding whether performance is satisfactory. Planning therefore provides the goals, while controlling checks progress towards their achievement.

Step 3: Conclusion Planning facilitates decision-making by guiding the selection of the best alternative, and establishes standards for controlling by specifying the results against which actual performance is assessed.

Quick Tip to Solve: Link decision-making with choosing among alternatives, and controlling with comparing actual results against planned targets.

OR

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

(i) Planning focuses on achieving objectives.

(ii) Planning is continuous. [4 marks]

Solution:

Concept:

- Planning: features of planning, particularly its focus on objectives and its continuous nature.
- Planning determines in advance the activities and methods required to achieve organisational objectives. Plans are renewed and revised as time and conditions change.

Step 1: (i) Planning focuses on achieving objectives **Objectives give direction:** Organisations establish general and specific goals to achieve. Planning begins with the determination of these objectives and specifies the activities, methods and courses of action needed to accomplish them. Every proposed activity is considered in relation to the objective it serves. Thus, planning directs effort towards a definite purpose and avoids activities that do not contribute to organisational goals. For example, if the objective is to increase sales, the plan identifies the markets, distribution arrangements and selling activities required for that objective. A plan is useful only when it helps the organisation achieve the results it has set for itself.

Step 2: (ii) Planning is continuous **Plans are prepared successively:** Plans are made for a specific period, such as a month, a quarter or a year. At the end of that period, new plans must be prepared for the next period on the basis of fresh requirements and future conditions. Existing plans may also need revision because the business environment changes or circumstances make the original course unsuitable. Planning therefore continues through the preparation, implementation and review of plans; it is not completed once a single plan is drawn up. For example, after reviewing the current year's sales and market conditions, a business prepares its sales plan for the following year.

Step 3: Conclusion Planning focuses all activities on the achievement of stated objectives, and remains continuous because plans must be renewed for successive periods and revised when conditions change.

Quick Tip to Solve: For focus on objectives, explain purpose and direction; for continuity, explain successive planning periods and revision as conditions change.

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

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

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

Solution:

Concept:

- Organising: a divisional structure groups activities around separate products or product categories. Each division contains the functional departments needed to operate that product business.
- A division head is accountable for the division's performance. This structure is suitable for a large organisation manufacturing a variety of products that require different resources and expertise.

Step 1: (a) Identify the product-based structure **Divisional structure:** Nurata Ltd. has adopted a divisional organisational structure. The evidence is that "each unit head would be responsible for a specific product category and for its performance". Further, "All key functions, such as marketing, finance, production, etc. would be handled within each unit". Thus, the primary grouping is by product, with functional activities carried out within each product division.

Step 2: (b) State two advantages

- **Product specialisation:** A divisional head gains experience in all functions relating to a particular product. This develops varied managerial skills and prepares the manager for higher positions, while keeping attention focused on that product's needs.
- **Accountability for results:** Each division's revenues and costs can be identified separately, making its profit or loss measurable. Responsibility for poor divisional performance can therefore be fixed, and managers can take suitable corrective action.

Step 3: (b) State one disadvantage

- **Duplication of activities and higher cost:** Each division requires its own functional facilities and personnel. Repeating activities such as marketing, finance and production across product divisions increases expenditure and can prevent the organisation from obtaining the economies available through shared facilities.

Step 4: Conclusion Nurata Ltd. uses a **divisional structure**. Product specialisation and clear accountability for results are two advantages; duplication of functional activities and the resulting higher cost are one disadvantage.

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

27. 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:

- Nature and Significance of Management: top management consists of the organisation's senior-most executives, who are responsible for its overall direction, welfare and survival.
- Top managers integrate the work of departments, analyse the business environment, and formulate the overall organisational goals and strategies needed to achieve them.

Step 1: (a) Identify the level of management **Top-level management:** Shreedar and Mukesh are working at the top level in Easy Cab. The decisive evidence is that "Shreedar became the Chief Executive Officer and Mukesh the Chief Operating Officer". These are senior-most executive positions. Their responsibility extends to the business as a whole, as shown by their decisions about its service area and financing the electric-car fleet. Shreedar's previous job as Operations Manager does not determine his present level in the new business.

Step 2: (b) State three functions of this level

- **Analyse the business environment:** They must examine the external environment and its implications for Easy Cab's survival. They need to understand opportunities and threats affecting the cab business so that decisions about the venture respond to changing conditions.
- **Formulate overall organisational goals and strategies:** They must determine the broad objectives of Easy Cab and the strategies for achieving them. In the case, they "decided to initially offer their services only in Goregram" and aimed to provide "a sustainable and eco-friendly way to travel". These statements indicate the direction set for the business.
- **Integrate and coordinate departmental activities:** They must bring together the efforts of different departments so that all work towards common organisational goals. For example, arranging finance and acquiring the electric fleet must be coordinated with the requirements of providing the cab service. This ensures that departmental decisions support the overall plan.

Step 3: Conclusion Both Shreedar and Mukesh belong to **top-level management**. Their functions include analysing the business environment, formulating overall goals and strategies, and coordinating the activities of different departments.

Quick Tip to Solve: Use the executives' present posts and organisation-wide responsibility to identify their level; a previous operations job does not change their current top-management role.

28. '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 assumes that consumers prefer products that are widely available and affordable, so efficiency and distribution are central.
- The product concept assumes that consumers favour products offering superior quality, performance and features, so continuous product improvement is central.

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: Under this philosophy, management concentrates on achieving high production efficiency and wide distribution. By producing in large quantities, it reduces the cost per unit and makes goods available at low prices. The underlying belief is that availability and affordability determine consumers' purchases, and profits can be increased through a large volume of production and sales.

Step 2: (a) KMV Ltd.: Product concept **Identification and evidence:** KMV Ltd. follows the product concept. It produces goods "superior in quality, performance and features", while its Research and Development team works continually to improve product quality.

Explanation: Under this philosophy, management believes that consumers favour the best quality products. It therefore directs effort towards product excellence and continuous improvement in quality, features and performance. The company expects that a better product will attract buyers and generate profits, rather than relying primarily on low production costs.

Step 3: (b) Distinguish the two philosophies

Basis	Production concept: BNG Ltd.	Product concept: KMV Ltd.
Main focus	Quantity of production; high efficiency, low cost and wide availability.	Quality of the product; superior performance, features and continuous improvement.
Ends	Profits through a large volume of production and sales.	Profits through product quality.

Step 4: Conclusion BNG Ltd. adopts the **production concept**, whereas KMV Ltd. adopts the **product concept**. Their main focus and route to profit are, respectively, production volume and product quality.

Quick Tip to Solve: Link low cost and wide availability to the production concept; link superior quality, features and continuous improvement to the product concept.

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

Solution:

Concept:

- Directing: leadership is the process of influencing people's behaviour so that they willingly strive to achieve organisational goals.
- Leadership operates through interpersonal relationships and influence. It secures willing cooperation and directs followers towards a shared purpose.

Step 1: Features relating to influence and behaviour **1. Ability to influence others:** Leadership indicates an individual's ability to influence other people. A leader guides and inspires followers so that they willingly contribute their efforts. Thus, influence is the essence of leadership; merely occupying a position of authority is not enough to make a person an effective leader.

2. Bringing change in behaviour: Leadership tries to bring about a change in the behaviour of others. A leader persuades followers to adopt behaviour that supports the desired objectives, for example, cooperating with others and taking responsibility for assigned work. This change is achieved through guidance, motivation and the leader's influence.

Step 2: Features relating to relationships and objectives **3. Interpersonal relations between leader and followers:** Leadership indicates interpersonal relations between a leader and followers. It requires interaction with people: the leader understands their needs, communicates with them and guides their efforts. The leader influences followers, while their responses and expectations also affect the leader's conduct.

4. Achievement of common goals: Leadership is exercised to achieve common goals of the organisation. The leader directs individual and group efforts towards these objectives and encourages followers to work willingly for them. Effective leadership does not simply pursue the leader's personal interests; it unites the group around a common organisational purpose.

Step 3: Conclusion Four features of leadership are the **ability to influence others**, **bringing change in others' behaviour**, **interpersonal relations between leader and followers**, and **achievement of common organisational goals**.

Quick Tip to Solve: Recall four distinct NCERT features: influence, behavioural change, leader–follower relations and common organisational goals. Explain each separately.

OR

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

(i) Organisational climate

(ii) Status [4 marks]

Solution:

Concept:

- Directing: non-financial incentives satisfy psychological, social and emotional needs and motivate employees beyond monetary rewards.
- Organisational climate and status influence an employee's feeling of belonging, recognition and satisfaction at work.

Step 1: (i) Organisational climate **Meaning:** Organisational climate refers to the characteristics that describe an organisation and distinguish it from other organisations. These characteristics influence the behaviour of individuals working in it.

Motivating effect: A favourable climate provides individual autonomy, recognises the importance of each employee, offers rewards and encourages employees to take reasonable risks. For example, allowing employees appropriate freedom in performing their work and recognising their contributions makes them feel valued. When these features are positive, employees develop a sense of belonging and are motivated to improve their performance. Thus, the quality of the working environment itself acts as an incentive.

Step 2: (ii) Status **Meaning:** Status means the ranking of positions in an organisation. The authority, responsibility, rewards, recognition, prestige and privileges attached to a job indicate the status given to the person holding it.

Motivating effect: Recognition of an employee's position and contribution satisfies the psychological and social need for esteem. A prestigious designation, greater authority or recognition associated with a position can make the employee feel respected and important. This encourages commitment and better performance. Status therefore motivates through the recognition and respect attached to the job, even when motivation does not take the form of an additional cash payment.

Step 3: Conclusion Organisational climate motivates through a supportive and encouraging work environment, while status motivates through the prestige, authority and recognition associated with a position.

Quick Tip to Solve: Link organisational climate to the working environment and status to rank, prestige and esteem; explain how each encourages performance.

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

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

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

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

Solution:

Concept:

- Principles of Management: Fayol's division of work promotes specialisation by assigning work according to competence.
- Fayol's principle of order requires a fixed and suitable place for people and materials so that work proceeds without obstruction.

Step 1: Division of work **Identification and evidence:** The first principle violated is **division of work**. The case states that the employees wanted work to be "divided according to their competence" to "enhance their specialisation". Instead, the hair stylist was asked to work as a makeup artist and the makeup artist to do nail care.

Explanation: Work should be divided into small, specialised tasks and assigned to trained and competent persons. Repeated performance of a specific task helps an employee acquire skill and expertise, increasing efficiency and improving both the quality and quantity of output. Rushil should therefore assign specialised salon services according to the staff's respective competence. Regularly interchanging unrelated specialist duties prevents the benefits of specialisation and creates the dissatisfaction described in the case.

Step 2: Order **Identification and evidence:** The second principle violated is **order**. The manager reported that there was "neither any fixed place for hair care, skin care or nail care materials nor for the employees".

Explanation: According to Fayol, there should be a place for everything and everyone, and everything and everyone should be in its or their designated place. Material order means keeping materials and equipment in their proper places; social order means having the right person in the right place. A fixed and suitable place for each resource avoids confusion, waste of time and obstruction in work. The salon should allocate proper workstations to its staff and designated storage locations to its materials so that services can be provided smoothly and efficiently.

Step 3: Conclusion The two principles not followed are **division of work** and **order**. Specialised allocation of duties and proper placement of staff and materials would address the problems identified in the case.

Quick Tip to Solve: Match the case clues precisely: competence and specialisation indicate division of work; fixed places for people and materials indicate order.

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 refers to funds invested in fixed assets, whose benefits extend over a long period. The investment required depends on the scale of operations, financing alternatives, technology upgradation and diversification, among other factors.
- A case-based answer identifies the factor, quotes the relevant evidence and states how that factor changes the funds required for fixed assets.

Step 1: Identify four factors from the case

- **Scale of operations:** The case says that Sankalp undertook construction on "a land of 30 acres" and that building flats "on such a large scale required expensive machinery". A business operating on a larger scale needs more space, plant and machinery, so its fixed capital requirement is higher. The large project therefore calls for substantial investment in construction equipment.
- **Financing alternatives:** He had the option "to buy the machinery or take it on lease". Availability of leasing facilities reduces the need to invest large sums in purchasing fixed assets at the outset. If Sankalp leases the equipment, he can use it against lease rentals and his immediate fixed capital requirement will be lower than if he purchases it.

Step 2: Explain replacement needs and future expansion into other activities

- **Technology upgradation:** His father warned that "construction machinery becomes outdated very fast and needs to be replaced". Industries in which assets become obsolete quickly need higher fixed capital to provide for their replacement and technological upgrading. Sankalp must therefore consider future replacement expenditure as well as the initial purchase.
- **Diversification:** His father said that he might think of "diversifying his operations and would need funds for that too". Entering new business activities generally requires investment in additional fixed assets. Thus, planned diversification increases fixed capital requirements and must be considered before committing funds to the present equipment.

Step 3: Conclusion The four factors are **scale of operations, financing alternatives, technology upgradation and diversification**. Large-scale operations, rapid obsolescence and diversification raise the need for fixed capital, while the availability of leasing can reduce the immediate investment required in owned assets.

Quick Tip to Solve: Link each quoted clue to its NCERT factor: large scale, buy or lease, rapid obsolescence, and entry into new activities.

32(a). Explain any four functions of a stock exchange. [6 marks]

Solution:

Concept:

- Financial Markets: a stock exchange provides a platform for buying and selling existing securities. Its functions include liquidity and marketability, price determination, safety of transactions and contributing to economic growth.
- These functions explain how a regulated secondary market helps investors trade their investments and supports the allocation of savings to productive businesses.

Step 1: Explain liquidity and price determination

- **Providing liquidity and marketability to existing securities:** A stock exchange creates a continuous market where investors can buy and sell securities that have already been issued. An investor who needs funds can sell securities through the exchange instead of waiting for their redemption. This ability to convert an investment into cash gives securities liquidity and marketability and encourages investors to invest their savings.
- **Pricing of securities:** Prices of securities are determined by the forces of demand and supply operating through the stock exchange. Trading brings together buyers and sellers, whose orders lead to market prices. The prices provide information about the value of securities and act as a guide to investors in making investment decisions. Continuous trading also enables prices to adjust to relevant information about companies and market conditions.

Step 2: Explain transaction safety and contribution to growth

- **Safety of transactions:** Membership of the stock exchange is regulated, and its trading procedures are defined by rules and regulations. Securities of companies are admitted to trading subject to the exchange's requirements. This regulated framework and compliance with the applicable legal provisions help ensure fair dealings and protect investors in transactions. This is protection through regulated trading; it does not guarantee a profit or eliminate changes in market prices.
- **Contributing to economic growth:** Through the stock exchange, securities of different companies are continuously bought and sold. This process of disinvestment and reinvestment enables savings to move towards more productive investment proposals. Better allocation of capital supports capital formation and economic growth. The exchange's liquidity also makes investment in securities more attractive, thereby supporting the flow of savings into the corporate sector.

Step 3: Conclusion Four functions of a stock exchange are **providing liquidity and marketability, pricing securities, ensuring safety of transactions and contributing to economic growth**. Together, they make the market for existing securities an important part of the financial system.

Quick Tip to Solve: Explain each function through its mechanism: resale gives liquidity, demand and supply give prices, regulation supports safety, and reinvestment improves capital allocation.

OR

32(b). Explain the following factors affecting the choice of capital structure of a company :

(i) Flexibility

(ii) Risk consideration

(iii) Floatation costs

(iv) Cost of debt [6 marks]

Solution:

Concept:

- Financial Management: Capital structure is the proportion of debt and equity used to finance a company's long-term capital requirements.
- The financing mix must balance the cost of finance, fixed payment obligations, business risk and the ability to raise funds in the future.

Step 1: (i) Flexibility

- **Preserve borrowing capacity:** A company should maintain flexibility to change its capital structure when circumstances change. If it uses its borrowing capacity fully at present, it may be unable to raise additional debt when funds are needed urgently or a profitable opportunity arises.
- **Provide room for future financing:** The company should therefore keep some borrowing capacity in reserve and avoid a financing mix that restricts future choices. A lower initial debt proportion can leave scope for additional borrowing later.

Step 2: (ii) Risk consideration

- **Financial risk:** Debt creates an obligation to pay interest and repay principal, irrespective of the company's earnings. A higher debt proportion increases the risk that the company may be unable to meet these fixed commitments.
- **Balance business and financial risk:** Business risk is the risk of being unable to meet operating costs. A company with high business risk should use less debt so that financial risk remains low. A company with lower business risk can generally bear a higher financial risk and may employ more debt.

Step 3: (iii) Floatation costs

- **Cost of raising finance:** Floatation costs are the expenses incurred in raising funds, such as brokerage, underwriting commission, advertising and issue-related expenses. These costs affect the choice between sources of finance.
- **Compare the alternatives:** Raising funds through a public issue of shares or debentures may involve substantial floatation costs, whereas obtaining a loan from a financial institution may involve lower costs. Other things being equal, a source with lower floatation costs is preferable; these costs must be considered along with the other capital-structure factors.

Step 4: (iv) Cost of debt

- **Interest and tax benefit:** The interest rate payable on debt affects the choice of capital structure. Interest is a tax-deductible expense, so its effective cost to the company is reduced by the tax saving.

- **Effect on the financing mix:** A company able to borrow at a lower cost can generally employ more debt. If the cost of debt is high, debt becomes less attractive. Excessive borrowing may also increase lenders' perception of risk and the interest rate they charge, limiting further use of debt.

Step 5: Conclusion Flexibility favours keeping borrowing capacity in reserve; risk consideration requires balancing business and financial risk; floatation costs affect the expense of raising funds; and the cost of debt affects the attractiveness of borrowing.

Quick Tip to Solve: For each factor, explain what it means and then state how it changes the company's choice between debt and equity.

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, views and feelings between people to create common understanding.
- The communication process involves a sender, a message, encoding and media, followed by decoding, a receiver and feedback. Noise can obstruct this process.

Step 1: (a) Identify and explain the element of directing **Communication:** The case highlights communication, an element of the directing function of management. Communication means the exchange of facts, ideas, opinions or emotions between two or more persons to create common

understanding. It includes transmitting the message and ensuring that its meaning is understood by the recipient. Sara communicates her proposal for setting up electric vehicle charging stations to the government through a face-to-face meeting.

Step 2: (b) Four elements of the communication process shown in the case

- **Sender:** The sender is the person who originates and conveys the message. Sara is the sender. The line, "Sara shared her thoughts and ideas with her father," shows her initiating communication. For the proposal to the government, the line, "She prepared a proposal to collaborate with the government for setting up electric vehicle charging stations," also identifies her as the originator.
- **Message:** The message is the content to be communicated. The relevant line is: "The proposal contained her ideas, feelings and suggestions which she intended to convey to the government." These ideas, feelings and suggestions constitute her message.
- **Encoding:** Encoding means converting the message into symbols, such as words, pictures or gestures. The relevant line is: "She then converted her ideas, feelings and suggestions into words and pictures." Her use of clear language, charts and graphs makes this encoded message easier to understand.
- **Media:** Media means the path or channel through which the encoded message is transmitted to the receiver. The relevant lines are: "She now had to choose a path through which her proposal would be transmitted to the government" and "Sara had a face-to-face meeting with the government and presented her ideas directly." The face-to-face meeting is the communication medium chosen here.

Step 3: (c) Three other elements of the communication process

- **Decoding:** The process of converting the sender's encoded symbols into meaning that the receiver can understand.
- **Receiver:** The person or group that receives the sender's communication. The receiver interprets the message to understand what the sender intends to convey.
- **Feedback:** The receiver's response communicated back to the sender. It helps the sender judge whether the message has been received and understood as intended and completes the communication cycle.

Step 4: Conclusion (a) The element of directing is communication. (b) The four elements illustrated are sender, message, encoding and media. (c) Three other elements are decoding, receiver and feedback.

Quick Tip to Solve: In a communication case, identify who speaks, what is conveyed, how it is put into symbols and which channel carries it before naming the remaining elements.

34(a). Explain the following functions of marketing :

(i) Customer support services

(ii) Branding

(iii) Product designing and development

(iv) Marketing planning [6 marks]

Solution:

Concept:

- Marketing Management: Functions of marketing include planning the marketing effort, developing suitable products, giving them a distinct identity and supporting customers before and after purchase.
- These functions aim at satisfying customer needs and building a continuing relationship with customers, while helping the firm achieve its marketing objectives.

Step 1: (i) Customer support services **Customer support services:** These are services that help customers obtain full satisfaction from a product. They include after-sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services and providing consumer information. For example, arranging repairs and responding promptly to a complaint support the buyer after the sale. Such services remove difficulties in using the product, help secure repeat sales and develop brand loyalty. They are therefore an important part of marketing, even though they may continue after the actual sale has taken place.

Step 2: (ii) Branding **Branding:** Branding means giving a product a name, sign, symbol, design or a combination of these to identify the seller's product and distinguish it from competing products. A marketer decides whether to sell under a brand name and selects an appropriate name and symbol. A distinct brand helps customers recognise and select the product again, supports advertising and builds product differentiation. Consistent quality associated with the brand can also encourage customer loyalty.

Step 3: (iii) Product designing and development **Product designing and development:** This function involves deciding the product's design, shape, size, features, quality and other characteristics in accordance with customers' needs. A good design makes the product useful and attractive, improves its performance and can give the firm a competitive advantage. Development includes creating suitable new products and improving existing ones as customer preferences change. For example, a conveniently shaped bottle that is easy to hold and use combines practical utility with an attractive design.

Step 4: (iv) Marketing planning **Marketing planning:** It means developing appropriate marketing plans to achieve the organisation's marketing objectives. The firm specifies what it wants to achieve, such as increasing its market share, and decides the actions required to attain it. Its plan may cover increasing production, promoting the product, improving distribution and using other suitable marketing programmes. Planning gives direction to these activities and coordinates them so that resources are used towards the same objective.

Step 5: Conclusion Customer support services sustain customer satisfaction, branding gives the product a distinct identity, product designing and development adapt the offering to customer needs, and marketing planning directs the firm's marketing activities towards its objectives.

Quick Tip to Solve: Explain these four functions in the printed order; connect support with satisfaction, branding with identity, design with utility, and planning with objectives and actions.

OR

34(b). Explain any four factors which affect the determination of price of a product. [6 marks]

Solution:

Concept:

- Marketing Management: Price determination means fixing the amount a buyer must pay for a product. A sound pricing decision considers costs, the value buyers perceive, demand and competitive conditions.
- Product cost generally sets the minimum sustainable price, while buyers' assessment of utility and demand influence the maximum they are willing to pay. Competition affects the firm's freedom within this range.

Step 1: 1. Product cost **Product cost:** The cost of producing, distributing and selling the product is an important factor in fixing its price. It includes fixed costs, which do not vary with the level of activity, variable costs, which change with output, and semi-variable costs, which contain both elements. In the long run, the price must cover the total cost and provide a reasonable profit if the business is to survive. Thus, cost normally sets a minimum level for price. A firm may occasionally charge less than total cost for a special short-term purpose, but it cannot continue doing so indefinitely.

Step 2: 2. Utility and demand **Utility and demand:** Buyers are willing to pay a price only when the utility they expect from the product justifies the sacrifice involved. Their perception of utility therefore helps set the upper limit of price. The intensity of demand and its price elasticity also matter. When demand is elastic, even a small rise in price may cause a substantial fall in demand, restricting the firm's ability to raise price. With relatively inelastic demand, the firm has greater scope to charge a higher price because the quantity demanded changes comparatively little.

Step 3: 3. Extent of competition in the market **Extent of competition in the market:** The number of competitors and the prices and quality of their products influence the price a firm can charge. A firm facing close substitutes must consider rival offerings because customers can shift to them. It should examine competitors' prices, product quality and features before fixing its own price. In a highly competitive market, its freedom to charge a high price is limited; where competition is weak and the product is differentiated, it may have greater pricing freedom.

Step 4: 4. Government and legal regulations **Government and legal regulations:** The firm must fix its price within the applicable legal framework. To protect consumers against unfair practices and excessive prices, the government may intervene in the pricing of certain products and regulate their prices. Where a product's price is controlled, the firm cannot simply fix any price it wishes on the basis of profit or demand. Such intervention is especially relevant for essential products, where public interest may require limits on the price charged.

Step 5: Conclusion Any four factors are product cost, utility and demand, extent of competition in the market, and government and legal regulations. Together they determine the firm's cost requirements, buyers' willingness to pay, competitive freedom and legal limits when fixing price.

Quick Tip to Solve: For each pricing factor, state how it changes the price decision: cost sets a floor, demand affects willingness to pay, rivals limit freedom, and regulation imposes legal limits.