

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



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. 'GEO Builders' were to complete a housing project by December 2024 and hand over the flats to the buyers. Due to excessive heat in the month of May and June 2024, the work slowed down and the project was getting delayed. The firm, in order to complete the project on time, hired more workers through a contractor and asked all the workers to work overtime. Due to the above measures taken by the management, the project was completed on time but the cost of building the flats increased by 10%.

Identify the correct option.

'GEO Builders' were :

[1 mark]

- (A) Efficient but not effective
- (B) Effective but not efficient
- (C) Neither effective nor efficient
- (D) Effective as well as efficient

Correct Answer: (B) Effective but not efficient

Solution:

Concept:

- Effectiveness means completing the assigned task and achieving the desired goal on time.
- Efficiency means completing the task with minimum cost and optimum use of resources.

Step 1: Check achievement of the target The target was to finish the housing project by December 2024. The case states that 'the project was completed on time'. Thus, GEO Builders achieved its time-bound objective and was effective.

Step 2: Check the cost of achievement The firm hired additional workers and used overtime, but 'the cost of building the flats increased by 10%'. It achieved its target with increased resource cost, so the case does not show efficiency. Option (A) reverses the assessment; (C) ignores timely completion; and (D) incorrectly treats the higher-cost completion as efficient.

Step 3: Conclusion GEO Builders were effective but not efficient. Hence, the correct option is (B).

Quick Tip to Solve: Check the deadline to judge effectiveness and the cost of resources to judge efficiency.

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

Assertion (A) : Informal organisation has a definite structure or form.

Reason (R) : Informal organisation is a complex network of social relationships among members.

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

Solution:

Concept:

- Informal organisation arises spontaneously from social interaction among employees.
- Unlike formal organisation, it has no deliberately prescribed structure or fixed lines of authority.

Step 1: Evaluate the assertion Assertion (A) is false. Informal organisation has no definite structure or form because it develops through personal relationships rather than a formally designed organisational chart.

Step 2: Evaluate the reason Reason (R) is true. Informal organisation is a complex network of social relationships among members, formed through their interactions, shared interests and personal contacts.

Step 3: Choose the matching alternative Since the assertion is false and the reason is true, only option (D) matches. Options (A) and (B) wrongly make both statements true; option (C) wrongly makes the assertion true and the reason false.

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

Quick Tip to Solve: A definite organisation chart belongs to formal organisation; spontaneous social ties identify informal organisation.

3. 'Through the process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues.'

The function of the stock exchange highlighted above is :

[1 mark]

- (A) Spreading of equity cult
- (B) Providing liquidity and marketability to existing securities
- (C) Contributing to economic growth
- (D) Providing scope for speculation

Correct Answer: (C) Contributing to economic growth

Solution:

Concept:

- A stock exchange facilitates the purchase and sale of existing securities.
- Disinvestment and reinvestment channel savings towards productive enterprises and contribute to economic growth.

Step 1: Identify the decisive phrase The statement says savings are channelized into 'their most productive investment avenues' through 'disinvestment and reinvestment'. It emphasises the productive allocation of capital across enterprises.

Step 2: Distinguish the other functions Productive allocation of savings supports capital formation and economic growth, so (C) fits. Spreading the equity cult means encouraging share ownership, while liquidity and marketability mean the ability to sell existing securities readily. Scope for speculation concerns trading based on expected price changes. Those functions do not describe the specific productive-allocation effect highlighted here.

Step 3: Conclusion The highlighted function is contributing to economic growth. Hence, the correct option is (C).

Quick Tip to Solve: When disinvestment and reinvestment move savings into productive uses, identify the economic-growth function.

4. After identifying the needs and wants of the target market and understanding that parents were increasingly looking for eco-friendly and safe toys for their children, a toy manufacturing company 'Deepak Toys Ltd.' decides to use eco-friendly materials for their toys. The company also ensures that their manufacturing process will not harm the environment.

The marketing management philosophy that guided the efforts of 'Deepak Toys Ltd.' is : [1 mark]

- (A) Selling concept
- (B) Product concept
- (C) Marketing concept
- (D) Societal marketing concept

Correct Answer: (D) Societal marketing concept

Solution:

Concept:

- The marketing concept begins with the needs and wants of the target market.
- The societal marketing concept balances customer satisfaction, organisational objectives and long-term social welfare.

Step 1: Identify customer and social concerns Deepak Toys Ltd. recognises parents' demand for 'eco-friendly and safe toys'. It also ensures that its manufacturing process 'will not harm the environment'. These clues combine consumer satisfaction with environmental welfare.

Step 2: Compare the philosophies The societal marketing concept therefore guides the company. The selling concept focuses on persuasion and promotion of existing products; the product concept stresses quality and features. The marketing concept centres on satisfying target customers, but the case explicitly adds society's long-term interest through environment-friendly manufacturing. Thus (D) is more complete than (C), and (A) and (B) miss the central emphasis.

Step 3: Conclusion The company follows the societal marketing concept. Hence, the correct option is (D).

Quick Tip to Solve: Customer needs plus explicit concern for the environment or society point to societal marketing.

5. 'KM Creations', a leading fashion brand, has been expanding its business into new markets. However, recently the company is facing challenges due to changes in inflation rates and disposable income of people. These factors have started affecting the company's pricing strategy and profitability. 'KM Creations' is now closely monitoring these changes to minimise their impact on its operations.

The component of business environment highlighted in the above para is :

[1 mark]

- (A) Political Environment
- (B) Technological Environment
- (C) Economic Environment
- (D) Social Environment

Correct Answer: (C) Economic Environment

Solution:

Concept:

- The economic environment includes economic conditions such as inflation, income levels and purchasing power.
- Changes in these conditions affect demand, business costs, pricing and profitability.

Step 1: Locate the environmental clues The case specifically mentions 'changes in inflation rates and disposable income of people'. Inflation influences prices and costs, while disposable income influences consumers' purchasing power and demand.

Step 2: Classify the component Both indicators belong to the economic environment, making (C) correct. Political environment concerns political stability and government attitudes; technological environment concerns methods, inventions and technical improvements. Social environment concerns values, customs and social trends. None of those is the main component described by the income and inflation changes in this case.

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

Quick Tip to Solve: Classify inflation, interest rates, income and purchasing power under the economic environment.

6. Identify the type of plan shown on the Notice Board of the factory, from the picture given below :

[1 mark]



NOTICE BOARD

**No Food or Drink
Allowed**



- (A) Method
- (B) Policy
- (C) Strategy
- (D) Rule

Correct Answer: (D) Rule

Solution:

Concept:

- A rule specifies exactly what must or must not be done in a particular situation.
- Rules allow no discretion in their application and are normally the simplest type of plan.

Step 1: Read the notice The factory notice says 'No Food or Drink Allowed'. It gives a specific prohibition applicable at the workplace rather than asking employees to choose among possible courses of action.

Step 2: Match the type of plan This is a rule because employees must comply with the prohibition without discretion. A method prescribes how to perform a task; a policy is a general guide to decision-making that permits some discretion. A strategy provides a comprehensive direction for achieving objectives in the business environment. The notice neither describes task performance nor gives broad guidance or an overall competitive plan.

Step 3: Conclusion The notice board displays a rule. Hence, the correct option is (D).

Quick Tip to Solve: A specific compulsory instruction such as No Food or Drink Allowed is a rule, not a broad policy.

Note: The following question is for the **Visually Impaired Candidates** only in lieu of Q. No. 6.

6. 'It prescribes the ways or manner in which a task has to be performed considering the objective.'

The type of plan discussed above is:

[1 mark]

- (A) Method
- (B) Procedure
- (C) Programme
- (D) Rule

Correct Answer: (A) Method

Solution:

Concept:

- A method prescribes the way or manner in which a particular task is to be performed, considering its objective.
- Methods are standardised ways of carrying out activities and may vary from one task to another.

Step 1: Identify the decisive words The statement says that the plan prescribes the 'ways or manner in which a task has to be performed'. This concerns the technique for performing a specific task, which is the defining feature of a method.

Step 2: Distinguish the remaining plans A procedure specifies a sequence of steps to be followed, whereas the statement focuses on how a task is performed. A programme is a detailed plan combining objectives, policies, procedures, rules and resources for a project. A rule prescribes a specific action or prohibition without allowing discretion. Neither a comprehensive programme nor a compulsory instruction is described here.

Step 3: Conclusion The type of plan discussed is a method. Hence, the correct option is (A).

Quick Tip to Solve: Match 'way or manner of performing a task' with method; match a sequence of steps with procedure.

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

Assertion (A) : The dividend in growth companies is smaller than that in the non-growth companies.

Reason (R) : Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment.

Choose the correct alternative from the options given below :

[1 mark]

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

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

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

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

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

Solution:

Concept:

- The dividend decision determines how earnings are divided between dividends and retained earnings.
- Growth opportunities increase the need to retain profits to finance future investment.

Step 1: Evaluate the assertion Assertion (A) is true. Growth companies generally distribute a smaller dividend because they require funds for expansion and investment, whereas companies without such opportunities can distribute more of their earnings.

Step 2: Evaluate the reason Reason (R) is true. Companies having good growth opportunities retain more of their earnings to finance the required investment, reducing their dependence on external funds.

Step 3: Establish the explanatory link Retention and dividend are competing uses of earnings. The greater retention requirement directly explains the smaller dividend of growth companies, so (A) is correct. Option (B) wrongly denies the explanatory link; (C) wrongly calls the reason false; and (D) wrongly calls the assertion false.

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

Quick Tip to Solve: For dividend questions, connect stronger growth opportunities with greater retention and a lower dividend payout.

8. Organising involves a series of steps that need to be taken in order to achieve the desired goal.

Identify the correct sequence of steps of organising function of management from the following :

[1 mark]

- (A) Departmentalisation, Identification and Division of work, Assignment of duties, Establishing reporting relationships.
- (B) Departmentalisation, Assignment of duties, Identification and Division of work, Establishing reporting relationships.
- (C) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships.
- (D) Identification and Division of work, Departmentalisation, Establishing reporting relationships, Assignment of duties.

Correct Answer: (C) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships.

Solution:

Concept:

- Organising translates plans into an orderly structure of jobs, departments, duties and authority.
- The sequence is identification and division of work, departmentalisation, assignment of duties, and establishing reporting relationships.

Step 1: Begin with the work First identify all activities necessary to achieve the goal and divide them into manageable jobs. Only after the work is identified can similar activities be grouped into departments. Departmentalisation therefore follows identification and division of work.

Step 2: Assign responsibility and authority Assign the departmental jobs to suitable individuals, then establish who reports to whom so that duties and authority are clear. Options (A) and (B) wrongly place departmentalisation before identification of work; (B) also assigns duties too early. Option (D) reverses the last two steps.

Step 3: Conclusion The correct sequence is Identification and Division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships. Hence, the correct option is (C).

Quick Tip to Solve: Remember the order as work first, groups second, people third and reporting links last.

9. Identify the incorrect statement with respect to 'Product' as an element of Marketing Mix : [1 mark]

- (A) A buyer buys a product or service for what it does or the benefit it provides.
- (B) A product is a bundle of utilities, which is purchased because of its capability to provide satisfaction of a certain need.
- (C) A customer may seek to satisfy functional, promotional and technological benefits from the purchase of a product.
- (D) Product relates to not only the physical product, but also the benefits offered by it from the customer's view point.

Correct Answer: (C) A customer may seek to satisfy functional, promotional and technological benefits from the purchase of a product.

Solution:

Concept:

- A product is a bundle of utilities that satisfies a customer need, rather than merely a physical object.
- Customers seek functional, psychological and social benefits from a product.

Step 1: Recall the benefits a product provides A product may perform a useful function, give psychological satisfaction and enhance social acceptance or status. Therefore the textbook categories are functional, psychological and social benefits. Promotional and technological benefits do not replace the last two categories in this classification.

Step 2: Identify the incorrect statement Option (C) uses the incorrect combination functional, promotional and technological. Option (A) correctly focuses on benefits; (B) correctly defines a bundle of utilities; and (D) correctly extends product beyond its physical form to customer benefits. Those three statements are valid and cannot answer a request for the incorrect statement.

Step 3: Conclusion Statement (C) is incorrect because the relevant benefits are functional, psychological and social. Hence, the correct option is (C).

Quick Tip to Solve: Underline incorrect in the question, then compare the benefit categories with functional, psychological and social.

10. ‘Green Tech Solutions’, a renewable energy company, set a target of reducing its production cost by 15% in the current financial year. After a few months, the management reviews the progress and finds that the cost reduction measures implemented have not been as effective as planned. By reviewing the progress ‘Green Tech Solutions’ has completed one of the steps of controlling process. Identify the step of controlling process from the following : [1 mark]

- (A) Setting performance standards
- (B) Comparing actual performance with standards
- (C) Analysing deviations
- (D) Taking corrective actions

Correct Answer: (B) Comparing actual performance with standards

Solution:

Concept:

- Controlling involves setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.
- Comparison reveals whether actual results meet the predetermined target; analysing deviations subsequently finds their causes.

Step 1: Match the review to the target The company had already set a target of reducing production cost by 15%. It then reviews progress and finds that the measures have not been “as effective as planned. This judgement compares the actual reduction with the planned standard.

Step 2: Distinguish the remaining steps Setting performance standards, option (A), occurred when the target was fixed. Analysing deviations, option (C), would investigate the reasons and significance of the shortfall; the case does not describe that investigation. Taking corrective actions, option (D), would implement remedies, which are also not described.

Step 3: Conclusion The step completed is comparing actual performance with standards. Hence, the correct option is (B).

Quick Tip to Solve: A finding that results fall short of the plan signals comparison; looking for why they fall short signals analysis.

11. Read the following statements carefully :

Statement I : Staffing is the most fundamental and critical drive of organisational performance and this function has assumed greater importance because of rapid advancement of technology.

Statement II : Understanding manpower requirements is, only to know the number of persons needed in the organisation.

In the light of the statements given, 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: (A) Statement I is true and Statement II is false.

Solution:

Concept:

- Staffing obtains, develops and retains competent employees and is a critical driver of organisational performance.
- Estimating manpower requirements considers both the number of employees and the type of people, qualifications and skills needed.

Step 1: Evaluate Statement I Statement I is true. People operate resources and implement plans, so staffing is fundamental to organisational performance. Rapid technological advancement increases its importance because organisations need employees with appropriate and updated skills.

Step 2: Evaluate Statement II and the alternatives Statement II is false because manpower requirements are qualitative as well as quantitative. Knowing only the number of persons ignores their abilities, qualifications and experience. Thus (B) reverses the truth values, (C) wrongly accepts Statement II, and (D) wrongly rejects Statement I.

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

Quick Tip to Solve: In manpower planning, check both how many people are needed and what kind of skills they must possess.

12. “With the growth of computers, more and more companies are using interactive sites on the Internet, to gather customer views and opinions, before taking important business decisions.”

Identify the marketing function highlighted in the above lines.

[1 mark]

- (A) Marketing planning
- (B) Product designing and development
- (C) Branding
- (D) Gathering and Analysing Market Information

Correct Answer: (D) Gathering and Analysing Market Information

Solution:

Concept:

- Gathering and analysing market information identifies customer needs, preferences and opinions to guide marketing decisions.
- Information may be collected through customer interaction, surveys and Internet platforms.

Step 1: Identify the activity described The decisive words are “to gather customer views and opinions, before taking important business decisions. The companies collect information about their customers through interactive Internet sites. This is the information-gathering basis of marketing decisions.

Step 2: Rule out the other functions Marketing planning, option (A), sets marketing objectives and the course of action. Product designing and development, option (B), decides product features, quality and design. Branding, option (C), gives a product a distinctive name or identity. The passage describes collecting customer views, rather than carrying out any of those decisions.

Step 3: Conclusion The function is Gathering and Analysing Market Information. Hence, the correct option is (D).

Quick Tip to Solve: When a case stresses collecting customer opinions before deciding, identify gathering and analysing market information.

13. The process of holding securities in an electronic form is known as :

[1 mark]

- (A) Dematerialisation
- (B) Rematerialisation
- (C) Depository
- (D) Capitalisation

Correct Answer: (A) Dematerialisation

Solution:

Concept:

- Dematerialisation enables securities to be held electronically instead of as physical certificates.
- A depository holds securities electronically through depository participants, whereas rematerialisation restores physical certificates.

Step 1: Identify the process Holding securities in electronic form is described as dematerialisation.

Physical certificates are converted into electronic records in a demat account, making ownership and transfer possible without handling paper certificates.

Step 2: Separate process from institution Rematerialisation, option (B), is the reverse conversion from electronic holdings to physical certificates. A depository, option (C), is the institution holding securities electronically, not the name of the process asked for. Capitalisation, option (D), concerns a business capital base or valuation and does not describe electronic security holdings.

Step 3: Conclusion The process is Dematerialisation. Hence, the correct option is (A).

Quick Tip to Solve: Use demat for electronic form; remat means returning to material, physical certificates.

14. Bisphenol A is one of the most harmful chemicals used to make plastic water bottles. Its levels increase when the water is stored in these bottles for a long period of time. Keeping health considerations in mind, Ketan ordered six glass water bottles and decided not to use plastic bottles in the future. On receiving the parcel, he found that two bottles were broken as the container or wrapper was not adequate to protect the bottles.

The product-related decision neglected by the marketer was :

[1 mark]

- (A) Branding
- (B) Packaging
- (C) Labelling
- (D) Both (B) and (C)

Correct Answer: (B) Packaging

Solution:

Concept:

- Packaging involves designing and producing the container or wrapper for a product.
- A key function of packaging is protecting the product during handling, storage and transportation.

Step 1: Identify the neglected decision The case says “the container or wrapper was not adequate to protect the bottles. Two glass bottles arrived broken because their protective packaging was inadequate. This directly identifies packaging as the neglected product-related decision.

Step 2: Eliminate decisions about identity and information Branding, option (A), concerns the name, symbol or identity distinguishing a product. Labelling, option (C), provides descriptive information on a label. Neither failure is stated. Option (D) wrongly adds labelling to packaging: breakage due to an inadequate wrapper does not establish defective labelling.

Step 3: Conclusion The neglected decision was Packaging. Hence, the correct option is (B).

Quick Tip to Solve: A damaged product caused by a weak container points to packaging; missing product information points to labelling.

15. Match the concepts given in Column-II with their meanings given in Column-I.

Column-I	Column-II
(a) It is the activity of influencing people to strive willingly for group objectives.	(i) Communication
(b) It is the process of exchange of ideas, views, facts, feelings, etc. between or among people to create a common understanding.	(ii) Leadership
(c) It is the process of instructing, guiding, counselling, motivating and leading people in the organization to achieve its objectives.	(iii) Motivation
(d) It is the process of stimulating people to action to accomplish desired goals.	(iv) Directing

Choose the correct option from the following :

[1 mark]

- (A) (a)-(ii), (b)-(iii), (c)-(iv), (d)-(i)
(B) (a)-(ii), (b)-(i), (c)-(iv), (d)-(iii)
(C) (a)-(iv), (b)-(iii), (c)-(ii), (d)-(i)
(D) (a)-(iii), (b)-(i), (c)-(ii), (d)-(iv)

Correct Answer: (B) (a)-(ii), (b)-(i), (c)-(iv), (d)-(iii)

Solution:

Concept:

- Leadership is the activity of influencing people to strive willingly for group objectives; communication creates common understanding through exchange of information.
- Directing includes instructing, guiding, counselling, motivating and leading. Motivation stimulates people to act towards desired goals.

Step 1: Match each definition with its concept The words “influencing people in (a) identify leadership, so (a)-(ii). The exchange of ideas and feelings in (b) identifies communication, so (b)-(i). The complete managerial process in (c) identifies directing, so (c)-(iv). Stimulating action in (d) identifies motivation, so (d)-(iii).

Step 2: Compare the option sequences Only option (B) contains all four matches. Option (A) wrongly treats exchange of ideas as motivation and stimulation as communication. Option (C) confuses leadership with directing, and option (D) confuses leadership with motivation and directing with leadership.

Step 3: Conclusion In order, the definitions denote leadership, communication, directing and motivation. Hence, the correct option is (B).

Quick Tip to Solve: Use the key verbs: influence means leadership, exchange means communication, stimulate means motivation, and the combined process means directing.

16. From the following, identify the incorrect statement with respect to 'Delegation' :

[1 mark]

- (A) Delegation is a compulsory act because no individual can perform all tasks on his own.
- (B) It has a narrow scope as it is limited to the superior and his immediate subordinate.
- (C) It is a process followed to share tasks.
- (D) It increases the role of the subordinates in the organisation by giving them more autonomy.

Correct Answer: (D) It increases the role of the subordinates in the organisation by giving them more autonomy.

Solution:

Concept:

- Delegation means entrusting responsibility and authority to a subordinate, while the superior retains ultimate accountability.
- Decentralisation means systematic dispersal of authority throughout the organisation, increasing the autonomy of lower levels.

Step 1: Identify the statements that describe delegation Option (A) is correct: delegation is necessary because a manager cannot personally perform every task. Option (B) is correct: each act of delegation concerns a superior and the immediate subordinate. Option (C) is correct: delegation is the process used to share tasks and the authority needed to perform them.

Step 2: Identify the feature belonging to decentralisation Option (D), "increases the role of the subordinates in the organisation by giving them more autonomy, is the NCERT distinction describing decentralisation. Delegation transfers specified duties and authority within a superior-subordinate relationship; systematic enlargement of autonomy across lower levels is decentralisation. Thus (D) is the incorrect statement in this comparison.

Step 3: Conclusion Option (D) describes decentralisation rather than delegation. Hence, the correct option is (D).

Quick Tip to Solve: In a delegation-versus-decentralisation MCQ, link sharing tasks to delegation and a broader autonomous role for lower levels to decentralisation.

17. _____ is a legally enforceable document issued by the broker to the investor within 24 hours of executing trade which helps to settle disputes/claims between the investor and the broker. [1 mark]

- (A) Contract note
- (B) Order confirmation slip
- (C) Unique order code
- (D) Client registration form

Correct Answer: (A) Contract note

Solution:

Concept:

- A contract note is the legally enforceable confirmation of a securities transaction issued by the broker after execution.
- It records transaction particulars and provides evidence for settling a dispute or claim between the investor and broker.

Step 1: Connect the description with the document The decisive clues are “legally enforceable, “within 24 hours of executing trade and “settle disputes/claims. These are the features of a contract note. It confirms the executed transaction and its terms, rather than merely showing that an order was submitted.

Step 2: Rule out the other documents An order confirmation slip confirms that an order has been placed, not the legally enforceable executed-trade record described. A unique order code is an identification reference, not such a document. A client registration form records investor particulars when the client opens a trading relationship; it is not issued after each trade.

Step 3: Conclusion The broker issues a contract note to the investor within 24 hours of execution. Hence, the correct option is (A).

Quick Tip to Solve: Look for the timing: an order slip precedes execution; a contract note confirms the executed trade and supports a legal claim.

18. Which of the following is not a factor affecting investment decision ?

[1 mark]

- (A) Investment criteria involved
- (B) Control considerations
- (C) Cash flows of the project
- (D) Rate of return

Correct Answer: (B) Control considerations

Solution:

Concept:

- An investment decision allocates funds to assets or projects that are expected to generate future returns.
- For capital budgeting, project cash flows, the rate of return and the investment criteria used to

evaluate proposals are relevant factors.

Step 1: Identify the project-evaluation factors Cash flows of the project, option (C), show expected receipts and payments over its life. The rate of return, option (D), allows comparison of benefits with the investment required. Investment criteria involved, option (A), provide the evaluation tests used to accept or reject the proposal. All three directly concern the worth of an investment.

Step 2: Locate the unrelated financing consideration Control considerations concern the choice of financing source and its effect on ownership control. For example, issuing fresh equity may dilute existing shareholders' control, whereas borrowing does not normally confer ownership voting rights. This concerns financing decisions, rather than evaluation of the project in an investment decision.

Step 3: Conclusion Control considerations are not a factor affecting the investment decision in this classification. Hence, the correct option is (B).

Quick Tip to Solve: Ask whether the factor evaluates a project or selects its funding source: control dilution points to financing, not capital budgeting.

19. Read the following statements carefully :

Statement I : Financial market is the market for the creation and exchange of financial assets.

Statement II : On the basis of “maturity of financial instruments traded”, financial market is classified into money market and capital market.

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

- (A) Statement I is true and Statement II is false.
- (B) Statement I is false and Statement II is true.
- (C) Both Statement I and Statement II are false.
- (D) Both Statement I and Statement II are true.

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

Solution:

Concept:

- A financial market facilitates the creation and exchange of financial assets, linking savers with users of funds.
- By maturity, money markets deal in short-term funds, while capital markets deal in medium- and long-term funds.

Step 1: Test Statement I Statement I is true. A financial asset represents a financial claim, such as a share or debt instrument. The financial market allows new claims to be created and existing claims to be exchanged, channelling savings into productive uses. Its scope therefore includes both creation and exchange.

Step 2: Test Statement II and compare the alternatives Statement II is also true. The maturity of the financial instruments traded is the basis for distinguishing the money market from the capital market: short-term instruments belong to the former, and medium- and long-term instruments to the latter. Option (A) wrongly rejects Statement II, option (B) wrongly rejects Statement I, and option (C)

rejects both true statements.

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

Quick Tip to Solve: For market classification, connect maturity with money versus capital markets, and new versus existing securities with primary versus secondary markets.

20. Which of the following are 'Standing Plans' ?

- (i) Budgets
- (ii) Policies
- (iii) Programmes
- (iv) Procedures
- (v) Methods
- (vi) Rules

Choose the correct alternative :

[1 mark]

- (A) (ii), (iii), (v) and (vi)
- (B) (ii), (iv), (v) and (vi)
- (C) (iii), (iv), (v) and (vi)
- (D) (i), (ii), (iii) and (iv)

Correct Answer: (B) (ii), (iv), (v) and (vi)

Solution:

Concept:

- Standing plans guide activities that recur regularly and can be used repeatedly in similar situations.
- Policies, procedures, methods and rules are standing plans. Programmes and budgets are single-use plans prepared for a specific purpose or period.

Step 1: Separate the repeatedly applicable plans Policies (ii) provide general guidance for decisions. Procedures (iv) prescribe a sequence of steps. Methods (v) specify the way to perform a task, and rules (vi) state what must or must not be done. Since these guide recurring situations, all four are standing plans.

Step 2: Eliminate combinations containing single-use plans Budgets (i) state expected results in numerical terms for a specific period or purpose. Programmes (iii) bring together objectives, policies, procedures, tasks and resources for a particular project. Option (A) and option (C) include programmes, so both fail. Option (D) includes both budgets and programmes. Only option (B) excludes both single-use plans and includes all four standing plans.

Step 3: Conclusion The standing plans are (ii), (iv), (v) and (vi). Hence, the correct option is (B).

Quick Tip to Solve: Remember policies, procedures, methods and rules as reusable guidance; budgets and programmes are tied to a specific period or project.

21. 'Chaman Pharmaceuticals Ltd.' is a company providing medicines all over the country. After establishing itself and making a name in the field of medicines, it decided to enter into the field of medical devices, baby care products and nutritional supplements. Each product category had a different head accountable for profits, revenues and costs. In case of poor performance of their product, the heads were held responsible. But as the heads of different product categories were different, conflict could arise among different heads with reference to allocation of funds. Also providing a separate set of similar functional heads for each product category increased expenditure.

(i) Identify and explain the type of organisation structure 'Chaman Pharmaceuticals Ltd.' had followed after entering into the field of medical devices, baby care products and nutritional supplements.

(ii) Also state any one advantage and any one disadvantage of the organizational structure discussed in the above para by quoting lines.

[3 marks]

Solution:

Concept:

- A divisional organisation structure groups activities around products or product lines. Each division has the functions needed to operate its own product business.
- Divisional heads are accountable for their division's results, while duplication of resources across divisions can increase costs.

Step 1: Identify and explain the structure **Divisional structure:** Chaman Pharmaceuticals Ltd. organises its diversified business into product-based divisions, such as medicines, medical devices, baby care products and nutritional supplements. Each division is headed by a manager and has its own functional activities. The clue is: "Each product category had a different head accountable for profits, revenues and costs." Thus, the basic grouping is by product rather than by a single function such as production or marketing.

Step 2: State an advantage with its supporting line **Accountability for performance:** Revenues and costs relating to a product division can be identified, so its profit or loss can be assessed and responsibility fixed on its head. This makes it easier to evaluate managerial performance and take corrective action. The supporting line is: "In case of poor performance of their product, the heads were held responsible."

Step 3: State a disadvantage with its supporting line **Duplication of activities and higher cost:** Different product divisions maintain similar functional departments instead of sharing one set for the entire enterprise. This duplicates resources and increases expenditure. The supporting line is: "Also providing a separate set of similar functional heads for each product category increased expenditure."

Step 4: Conclusion The company follows a divisional structure. It enables accountability for product performance, but duplication of functional activities raises its cost.

Quick Tip to Solve: When separate product heads are accountable for their own profits and costs, identify divisional structure; connect each advantage or limitation to a quoted case line.

22(a). State any three 'Protective functions' of the Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- The Securities and Exchange Board of India protects investors and safeguards the fairness and integrity of the securities market.
- Protective functions prevent practices through which market participants could mislead investors or secure an unfair advantage.

Step 1: Prohibit fraudulent and unfair trade practices **Prohibition of fraudulent and unfair trade practices:** SEBI acts against practices such as price rigging, misleading statements and other manipulative dealings in securities. Artificially influencing prices or giving deceptive information can induce investors to buy or sell on a false basis. Preventing these practices helps investors transact in a fair market rather than one distorted by manipulation.

Step 2: Control insider trading **Control of insider trading:** SEBI prohibits trading in securities by insiders on the basis of unpublished price-sensitive information. An insider, such as a director or other person with access to confidential company information, must not use that informational advantage to earn private gains at the expense of other investors. This protects equal and fair access to material information.

Step 3: Promote fair practices and a code of conduct **Promotion of fair practices and a code of conduct:** SEBI promotes fair dealings and ethical standards in the securities market. A code of conduct guides intermediaries and other participants towards honest, transparent and responsible behaviour. This strengthens investor confidence and reduces the scope for investors to be exploited through improper market conduct.

Step 4: Conclusion Three protective functions of SEBI are prohibiting fraudulent and unfair trade practices, controlling insider trading, and promoting fair practices and a code of conduct in the securities market.

Quick Tip to Solve: For protective functions, focus on preventing investor harm: fraud, misuse of inside information and unfair market conduct.

OR

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

(i) Participants

(ii) Instruments

[3 marks]

Solution:

Concept:

- Financial markets channel savings towards productive investment. The capital market serves medium-term and long-term finance, while the money market serves short-term funds.
- Participants are the institutions and investors operating in a market; instruments are the financial

claims through which funds are raised or invested.

Step 1: Define the capital market Meaning: The capital market comprises institutions and mechanisms through which medium-term and long-term funds, both debt and equity, are raised and invested. It includes the primary market for new securities and the secondary market for existing securities. Businesses use it to obtain finance for needs such as expansion and investment in fixed assets; investors acquire claims carrying an expected return.

Step 2: Compare the two markets on the stated bases

Basis	Capital market	Money market
Participants	Financial institutions, banks, corporate entities, foreign investors and ordinary retail investors participate.	The main participants are the Reserve Bank of India, commercial banks, financial institutions and finance companies; large companies and mutual funds also operate in it.
Instruments	The principal instruments include equity shares, preference shares, bonds, debentures and other long-term securities.	Instruments include Treasury bills, commercial paper, call money, certificates of deposit and commercial bills.

The comparison shows that capital-market participation includes the general investing public, whereas money-market dealings are predominantly institutional. Shares and debentures represent longer-term investment claims; the listed money-market instruments meet short-term funding and liquidity requirements.

Step 3: Conclusion The capital market raises and invests medium-term and long-term debt and equity funds. It differs from the money market in both its participants and its instruments, as shown above.

Quick Tip to Solve: In a comparison, keep a Basis column and give matching entries: participants opposite participants, and instrument examples opposite instrument examples.

23. 'Refresh Zone' was a popular coffee house chain offering premium coffee and snacks in a cozy environment. However, over time, the company began to face challenges in maintaining its market position. Customers had started complaining about lack of variety failing to cater to evolving consumer preferences. Also the price of coffee in 'Refresh Zone' was significantly higher than its competitors. Many consumers felt that the quality of coffee was not justifying its premium pricing. Identify and explain two components of marketing mix that the management of 'Refresh Zone' needs to work on.

[3 marks]

Solution:

Concept:

- The marketing mix is the combination of product, price, place and promotion decisions used to meet the needs of a target market.
- Product decisions concern what customers receive; price decisions concern the amount they must pay for it. Both must match the value customers expect.

Step 1: Identify and explain the product component Product: A product is the bundle of utilities

offered to satisfy a customer's needs. Product decisions include quality, features, design and the variety of goods or services offered. The case says customers complained about a 'lack of variety failing to cater to evolving consumer preferences'. This points directly to the product component. Refresh Zone needs to review its coffee and snack range and their quality so that its offering satisfies changing tastes, instead of continuing with an assortment customers no longer find attractive.

Step 2: Identify and explain the price component **Price:** Price is the amount of money customers pay to obtain a product. Pricing decisions should consider costs, demand, competition and the customer's perception of value. The case states that its coffee was 'significantly higher than its competitors' and that quality was 'not justifying its premium pricing'. Thus the company needs to reconsider whether its premium price is appropriate for the value offered. A price consistent with perceived quality and competing alternatives can help it retain customers.

Step 3: Conclusion The two components requiring attention are product and price: the range and quality must meet customer preferences, and the price must be justified by the value customers receive.

Quick Tip to Solve: Match a complaint about variety or quality to product; match a complaint about the amount paid or value for money to price.

24(a). State the three leadership styles.

[3 marks]

Solution:

Concept:

- Leadership is the process of influencing people so that they willingly work towards organisational objectives.
- Leadership styles differ in the authority retained by the leader and the freedom allowed to subordinates in making and carrying out decisions.

Step 1: State the autocratic style **Autocratic or authoritarian leadership:** The leader exercises authority, makes decisions and tells subordinates what they are expected to do. Communication mainly moves downwards through instructions and orders. Subordinates receive little freedom to participate in decisions. The defining feature is the concentration of decision-making authority in the leader.

Step 2: State the democratic style **Democratic or participative leadership:** The leader consults subordinates and encourages them to participate in decision-making. Their ideas and suggestions are considered before decisions are taken. The leader coordinates their efforts and supports their participation, rather than relying only on commands. This style promotes involvement and cooperation.

Step 3: State the free-rein style **Laissez-faire or free-rein leadership:** The leader gives subordinates a high degree of freedom to make their own decisions and carry out their work. Members largely set their own goals and work out methods within the broad framework of organisational goals. The leader supplies information and resources and acts mainly as a facilitator when help is needed.

Step 4: Conclusion The three leadership styles are autocratic, democratic and laissez-faire (free-rein) leadership.

Quick Tip to Solve: Remember the contrast in decision freedom: the leader decides, the group participates, or subordinates receive free rein.

24(b). State any three financial incentives which may be used to motivate people.

[3 marks]

Solution:

Concept:

- Financial incentives are monetary benefits, or benefits measurable in money, offered to motivate employees to improve their performance.
- They may form part of regular remuneration or be additional rewards linked to results. Their attraction lies in improving the employee's financial position.

Step 1: State pay and allowances Pay and allowances: Salary is the basic monetary incentive for an employee. It includes basic pay and allowances such as dearness allowance and other allowances. Increments in pay and allowances provide a financial benefit and can encourage employees to perform better and continue contributing to the organisation. These rewards are an important part of an employee's regular compensation.

Step 2: State productivity-linked wage incentives Productivity-linked wage incentives: Under these plans, wages or additional payments are linked to the employee's productivity. A worker who produces more output, while meeting the prescribed standards, earns a higher monetary reward. By connecting earnings with performance, the arrangement encourages employees to improve efficiency and increase productive effort.

Step 3: State bonus Bonus: A bonus is an incentive offered over and above the wages or salary paid to employees. It is an additional monetary reward that may recognise performance or the achievement of specified results. Since it adds to normal earnings, it gives employees a direct financial reason to make greater effort towards the objectives for which the bonus is offered.

Step 4: Conclusion Three financial incentives are pay and allowances, productivity-linked wage incentives and bonus.

Quick Tip to Solve: Choose incentives whose benefit can be measured in money; distinguish regular salary, output-linked extra earnings and an additional bonus.

25. Kapila is working at 'Cresa Engineering Solutions', an engineering consultancy firm. Despite being frequently enticed by many competitive companies offering her a higher pay package, Kapila chooses to stay with 'Cresa Engineering Solutions'. She enjoys her work as her job is designed with greater variety of work content requiring higher level of knowledge and skill and provides the opportunity for personal growth. The company has appropriate skill development programmes and a sound promotion policy due to which Kapila has been getting promotions year after year. Not only this, Kapila's work is being appreciated by the management from time to time. She always gives valuable suggestions and is being rewarded for that also. Over and above, the company implements measures to ensure stability of the employees in the organisation. All these factors motivate Kapila to continue to work in 'Cresa Engineering Solutions'.

Identify and explain the four non-financial incentives discussed in the above case.

[4 marks]

Solution:

Concept:

- Non-financial incentives satisfy psychological, social and emotional needs, such as meaningful work, recognition, growth and security, rather than directly increasing pay.
- The case illustrates job enrichment, career advancement opportunity, employee recognition programmes and job security. Each incentive must be linked to the words describing Kapila's experience.

Step 1: Identify meaningful work and growth opportunities **Job enrichment:** Kapila's job has "greater variety of work content requiring higher level of knowledge and skill" and offers "the opportunity for personal growth". Job enrichment means designing a job to include a greater variety of tasks, greater responsibility and scope for using knowledge and skills. Such challenging and meaningful work makes the job itself a source of satisfaction and motivates the employee to perform well.

Career advancement opportunity: The company has "appropriate skill development programmes and a sound promotion policy", and Kapila has been "getting promotions year after year". Managers should provide employees opportunities to improve their skills and advance to higher-level positions. A sound promotion policy encourages employees to develop their abilities and work harder because they can see prospects for growth within the organisation.

Step 2: Identify appreciation and employment stability **Employee recognition programmes:** Kapila's work is "being appreciated by the management from time to time", and her valuable suggestions are rewarded. Recognition means acknowledging and appreciating good performance. Appreciation, recognition of useful suggestions and rewards for achievements satisfy the employee's need for esteem and encourage continued good performance.

Job security: The company "implements measures to ensure stability of the employees in the organisation". Employees prefer a reasonable assurance that their employment will continue. Security reduces anxiety about losing the job, allows employees to concentrate on their work and encourages loyalty towards the organisation.

Step 3: Conclusion The four non-financial incentives are **job enrichment, career advancement opportunity, employee recognition programmes and job security**. Together, meaningful work, promotion prospects, appreciation and stability explain why Kapila stays despite offers of higher pay elsewhere.

Quick Tip to Solve: Match each case clue separately: varied challenging work means enrichment; promotions mean advancement; appreciation means recognition; stability means job security.

26. 'Pestle', is the country's largest biscuit manufacturing company, that makes high quality biscuits with focus on customer satisfaction. The company strives to understand what people want and provides tasty and healthy biscuits. To ensure the quality, a robust control system has been installed by the company. This helps the organisation to measure progress towards its goals and brings to light the deviations, if any. It also enables the management to verify whether the standards set are accurate and objective or not.

The above para highlights the importance of the Controlling function of management.

Identify and explain any two points of importance of the Controlling function discussed above.

[4 marks]

Solution:

Concept:

- Controlling compares actual performance with predetermined standards, identifies deviations and helps managers take corrective action so that organisational activities follow the plan.
- Two points of importance directly shown in the case are accomplishing organisational goals and judging accuracy of standards. The answer must explain these points through the statements about Pestle's control system.

Step 1: Explain how controlling helps accomplish goals Accomplishing organisational goals: The case states that the control system helps Pestle "measure progress towards its goals and brings to light the deviations, if any". Controlling measures actual performance against the standards established in planning. This comparison reveals whether work is progressing in the desired direction and identifies any gap between the desired and actual results. Once a deviation is noticed, management can investigate its cause and take corrective action. Thus, controlling guides activities towards the achievement of organisational goals. At Pestle, the quality control system supports its stated aim of providing high-quality, tasty and healthy biscuits and satisfying customers.

Step 2: Explain how controlling tests the standards themselves Judging accuracy of standards: The case says that controlling enables management to verify "whether the standards set are accurate and objective or not". A good control system checks not only actual performance but also the suitability of the standards used to judge it. By comparing results with standards, management can assess whether those standards are realistic and objectively defined. It can also review and revise standards in the light of changes in the organisation and its environment. This prevents performance from being judged against unsuitable targets. Thus, Pestle can use control information to check whether its quality standards provide a sound basis for evaluating performance.

Step 3: Conclusion The two points are **accomplishing organisational goals** and **judging accuracy of standards**. The first concerns measuring progress and correcting deviations; the second concerns checking that the standards against which progress is measured are appropriate, accurate and objective.

Quick Tip to Solve: In a controlling case, distinguish a check on actual progress from a check on the benchmark: the former helps achieve goals, while the latter judges the accuracy of standards.

27(a). Explain the following features of Coordination :

(i) Coordination is a continuous process.

(ii) Coordination is an all-pervasive function.

[4 marks]

Solution:

Concept:

- Coordination is the process of integrating the efforts of different individuals and departments so that their activities contribute to common organisational objectives.
- It is the essence of management: it binds planning, organising, staffing, directing and controlling, rather than operating as an isolated activity.

Step 1: Explain coordination as a continuous process (i) Continuous process: Coordination is not a one-time exercise performed only when a conflict arises. It starts at the planning stage and continues through organising, staffing, directing and controlling. For example, plans of different departments must agree, duties must be linked when work is organised, and actual performance must be reviewed together during control. Managers continually adjust activities and timings as work progresses. Thus, the integration of efforts must be maintained throughout the organisation's operations.

Step 2: Explain coordination as an all-pervasive function (ii) All-pervasive function: Coordination is necessary at every level of management and in all departments because their activities depend on one another. Top management integrates departmental plans with organisational objectives; middle management coordinates the work of its divisions; and supervisory management brings together workers' day-to-day efforts. Production, purchasing, finance and marketing also need coordination: production cannot meet sales commitments unless materials and funds are available at the right time. Hence, coordination extends throughout the organisation.

Step 3: Conclusion Coordination is continuous because integration is needed throughout the managerial process, and all-pervasive because every level and department must align its interdependent activities with common objectives.

Quick Tip to Solve: Use "throughout the managerial process" for continuous and "every level and department" for all-pervasive; these distinguish time coverage from organisational coverage.

OR

27(b). Explain the following characteristics of Management :

(i) Management is a dynamic function.

(ii) Management is a group activity.

[4 marks]

Solution:

Concept:

- Management is the process of getting things done effectively and efficiently with and through people to achieve organisational objectives.
- Its characteristics include adaptation to a changing environment and the coordination of the efforts

of people working together for a shared purpose.

Step 1: Explain management as a dynamic function (i) **Dynamic function:** An organisation operates in an environment that changes continuously. Economic conditions, technology, social expectations and political and legal requirements can all change. Management must adapt the organisation and its methods to these changes if it is to remain successful. For example, a business may introduce digital ordering when customers increasingly prefer online purchases, while modifying employees' duties and training accordingly. Managers therefore review plans, policies and working practices instead of treating earlier decisions as permanently suitable. This ability to respond to the changing environment makes management dynamic.

Step 2: Explain management as a group activity (ii) **Group activity:** An organisation consists of people with different needs, skills and responsibilities who work together towards a common purpose. Achieving its objectives requires their joint effort rather than isolated individual performance. Management gives direction to these efforts, encourages teamwork and coordinates each person's contribution with that of others. It also helps individuals develop and aligns their personal goals with organisational goals. For example, making and selling a product needs the combined efforts of production, finance and marketing employees. Management enables the group to accomplish what its members could not achieve independently.

Step 3: Conclusion Management is dynamic because it adapts organisational decisions and activities to environmental changes. It is a group activity because organisational goals are achieved through the coordinated efforts of people working together.

Quick Tip to Solve: Link “dynamic” to changes outside the organisation and “group activity” to coordinated efforts inside it; support each characteristic with a brief example.

28. 'Global Foods Ltd.', a multinational company in the food processing industry, has a good customer base. Recently it has expanded into new international markets. But due to increased awareness for health care, there is a shift in consumer demand for healthier food options. For this reason, the company needs to adapt to frequent technological advancements in production processes so that healthy food product options can be made available in the market. Additionally, the company is concerned about fluctuations at global level in commodity prices, exchange rates and political conditions. 'Global Foods Ltd.' is finding it increasingly difficult to predict future outcomes due to the constantly changing nature of the market. In order to effectively cope up with these significant changes, managers have to understand and examine the environment to develop suitable courses of action. By continuously monitoring the environment and adopting suitable business practices, the company will not only improve its present performance but also continue with it for a long period in achieving its objectives.

Identify and explain two features and two points of importance of business environment discussed in the above para.

[4 marks]

Solution:

Concept:

- Business environment means the external forces, institutions and conditions that influence an enterprise's performance. Its features describe the nature of these forces.
- Understanding the environment is important because managers must respond to external changes and sustain the organisation's performance over time.

Step 1: Identify and explain the two features **Dynamic nature:** Business environment keeps changing through shifts in consumer preferences, new technology and other developments. The case refers to a "shift in consumer demand for healthier food options" and "frequent technological advancements in production processes". Thus, Global Foods Ltd. must adjust its products and production methods as its environment changes.

Uncertainty: Future environmental changes and their consequences are difficult to predict, particularly when changes occur frequently. Global Foods Ltd. is "finding it increasingly difficult to predict future outcomes due to the constantly changing nature of the market". Fluctuations in commodity prices, exchange rates and political conditions increase the uncertainty faced by the company.

Step 2: Identify and explain the two points of importance **It helps in coping with rapid changes:** Environmental understanding enables managers to examine changes and develop suitable courses of action instead of continuing with unsuitable old practices. The case states, "In order to effectively cope up with these significant changes, managers have to understand and examine the environment to develop suitable courses of action". Studying the changes therefore helps the company respond appropriately to its changing business conditions.

It helps in improving performance: Enterprises that continuously monitor their environment and adopt suitable business practices can improve their performance and continue to succeed over a longer period. The case says that the company will "not only improve its present performance but also continue with it for a long period in achieving its objectives". This links environmental awareness with both present results and sustained achievement.

Step 3: Conclusion The two features are **dynamic nature** and **uncertainty**. The two points of importance are **coping with rapid changes** and **improving performance**; each is directly supported by the company's situation.

Quick Tip to Solve: Separate what the environment is like from why managers study it: changing and unpredictable conditions are features, while adaptation and improved results show importance.

29. Explain any two points of importance of consumer protection from the point of view of business.

[4 marks]

Solution:

Concept:

- Consumer protection safeguards consumers against unfair, exploitative and restrictive business practices. It is also important for businesses because their continued success depends on the people who buy their products.

- From the business point of view, consumer protection can be justified by long-term interest, use of society's resources, social responsibility, moral justification and avoidance of government intervention. Any two may be explained.

Step 1: Explain the long-term interest of business **Long-term interest of business:** A business serves its own long-term interest by satisfying and protecting consumers. Satisfied customers make repeat purchases and tell other people about their favourable experience. This builds goodwill, expands the customer base and helps the business earn profits over time.

In contrast, exploiting consumers may bring an immediate gain but damages their confidence and the reputation of the enterprise. A business should therefore provide good-quality products at reasonable prices and deal honestly with consumers. Protecting consumers is an investment in lasting customer relationships and the continued survival and growth of the enterprise, rather than merely an expense.

Step 2: Explain the social responsibility of business **Social responsibility:** A business has responsibilities towards the different groups affected by its activities. Consumers are an important stakeholder group because business earns its revenue by supplying goods and services to them. The enterprise consequently has a responsibility to protect their interests and offer them fair treatment.

It should provide safe and dependable products, give accurate information, avoid misleading advertisements and take consumers' complaints seriously. These actions help fulfil its responsibility towards consumers instead of pursuing profit through their exploitation. Consumer protection therefore follows from the duty of a socially responsible enterprise to consider the welfare of consumers when making and implementing business decisions.

Step 3: Conclusion Two points of importance are **the long-term interest of business**, through satisfied customers and lasting goodwill, and **social responsibility**, which requires the enterprise to safeguard the interests of consumers as a stakeholder group.

Quick Tip to Solve: For the business viewpoint, connect each heading to the enterprise: customer satisfaction supports future business, while social responsibility creates a duty towards consumers.

30(a). Explain the following features of Marketing :

(i) Needs and wants

(ii) Creating a market offering

[4 marks]

Solution:

Concept:

- Marketing is a social process through which people obtain what they need and want by creating, offering and freely exchanging products and services of value with others.
- Needs and wants identify the customer's problem, while a market offering combines the benefits through which the marketer proposes to satisfy it.

Step 1: Explain needs and wants **Needs and wants:** A need is a state of felt deprivation, such as the need for food, clothing, shelter or belonging. Needs are basic to human beings; marketers do not create them. A want is the particular form in which a person wishes to satisfy a need, shaped by culture, personality and experience. For example, hunger is a need, while wanting a particular

kind of meal is a want. Thus, different customers may have the same basic need but prefer different products to satisfy it. Marketing begins by identifying and understanding the needs and wants of a target group and developing suitable products or services, rather than merely trying to sell whatever has already been produced.

Step 2: Explain creating a market offering **Creating a market offering:** A market offering is a complete offer of a product or service having given features, such as size, quality, taste and other attributes, at a certain price, available at a given outlet or location. It is therefore more than the physical article alone: the customer considers the whole combination of benefits and the conditions on which it is available. A marketer first analyses the target customers' needs and then designs this combination to provide the best possible value. For example, a meal offered with a specified quantity, quality, price and delivery arrangement is a complete offering. A successful offering must be attractive to the target customer and should satisfy the need more effectively than competing alternatives.

Step 3: Conclusion Needs and wants provide the starting point of marketing. Creating a market offering converts that understanding into a specific combination of product or service attributes, price and availability that can satisfy the customer.

Quick Tip to Solve: Distinguish the customer's felt need from the preferred way of meeting it; then describe the complete offer, including features, price and availability.

OR

30(b). Explain the following elements of Promotion Mix :

(i) Sales Promotion

(ii) Personal Selling

[4 marks]

Solution:

Concept:

- Promotion mix is the combination of promotional tools used by an organisation to communicate with customers and persuade them to buy its products.
- Sales promotion offers short-term buying incentives, whereas personal selling uses direct interaction between a salesperson and a prospective buyer.

Step 1: Explain sales promotion **Sales promotion:** It refers to short-term incentives designed to encourage buyers to make an immediate purchase of a product or service. These activities supplement advertising and personal selling by giving customers an additional reason to buy now. Examples include discounts, rebates, free samples, quantity gifts and contests. A free sample can encourage a buyer to try a new product, while a temporary discount can increase purchases during the offer period. Sales promotion is useful in attracting attention, stimulating demand and supporting the introduction of a new product. Its distinguishing feature is the extra incentive offered for a limited period; it is not simply the communication of information about the product. Such incentives may be directed towards consumers, dealers or the sales force.

Step 2: Explain personal selling **Personal selling:** It involves the oral presentation of a message in

the form of a conversation between the salesperson and one or more prospective customers for the purpose of making sales. The salesperson establishes direct personal contact, explains the product's benefits and persuades the buyer to purchase. Because the interaction is two-way, the salesperson can identify the customer's requirements, answer questions and resolve doubts immediately. The message can be adjusted to the individual buyer's needs, and the buyer's reaction provides instant feedback. For example, a salesperson may explain and demonstrate a household appliance to a prospective customer before the purchase. This personal attention also helps develop a lasting relationship with the customer, although reaching buyers individually requires time and effort.

Step 3: Conclusion Sales promotion encourages immediate buying through short-term incentives. Personal selling seeks sales through direct oral interaction, tailored explanation and immediate feedback from prospective customers.

Quick Tip to Solve: Look for an extra short-term incentive to identify sales promotion; look for a salesperson's direct conversation and feedback to identify personal selling.

31. A company, 'SK Energy Ltd.' is providing solar energy solutions in some states of the country. Now it wants to expand its operations in some other states also. It needs ₹ 30,00,000 for its expansion. The Chief Financial Officer suggested two options for this.

Option I : To raise the entire funds through issue of shares of ₹ 10 each.

Option II : To raise ₹ 10,00,000 through issue of shares of ₹ 10 each and ₹ 20,00,000 by raising debt @ 10% p.a.

The return on investment of the firm is 12% and tax rate is 30%.

(i) Which of the two options will maximise shareholders' wealth ? Give reason in support of your answer.

(ii) Will the earning per share improve if return on investment of the company is 8% ? Give reason in support of your answer. Show your working clearly. [6 marks]

Solution:

Concept:

- Capital structure is the mix of owners' funds and borrowed funds. Trading on equity means using fixed-interest debt to increase the earnings available per equity share.
- The benefit depends on the return on investment exceeding the rate of interest on debt. Compare earnings per share (EPS) after deducting interest and tax under the two financing options.

Step 1: Find the shares and fixed interest under each option The case states that the company "needs Rs 30,00,000 for its expansion". Under Option I, the entire amount is equity, so the number of shares is $30,00,000/10 = 3,00,000$, with no interest payment. Under Option II, equity shares number $10,00,000/10 = 1,00,000$, and annual interest on the debt is $20,00,000 \times 10/100 = \text{Rs } 2,00,000$. Both options finance the same investment, so their operating earnings are identical at any given return on investment.

Step 2: Compare the two options at a return of 12 percent Operating profit before interest and tax is $30,00,000 \times 12/100 = \text{Rs } 3,60,000$. Deduct interest first and then tax at 30% to obtain the profit

available to equity shareholders.

Particulars	Option I (Rs)	Option II (Rs)
Earnings before interest and tax	3,60,000	3,60,000
Less: interest	0	2,00,000
Earnings before tax	3,60,000	1,60,000
Less: tax at 30%	1,08,000	48,000
Earnings after tax	2,52,000	1,12,000
Number of equity shares	3,00,000	1,00,000
EPS	0.84	1.12

Option II gives a higher EPS, Rs 1.12 rather than Rs 0.84. The case's "return on investment ... 12%" exceeds the borrowing cost of 10%, producing favourable financial leverage. Thus Option II is the appropriate choice for maximising shareholders' wealth in this comparison.

Step 3: Recalculate earnings per share when the return falls to 8 percent Operating profit now becomes $30,00,000 \times 8/100 = \text{Rs } 2,40,000$. The borrowing cost remains fixed even though the investment earns less.

Particulars	Option I (Rs)	Option II (Rs)
Earnings before interest and tax	2,40,000	2,40,000
Less: interest	0	2,00,000
Earnings before tax	2,40,000	40,000
Less: tax at 30%	72,000	12,000
Earnings after tax	1,68,000	28,000
Number of equity shares	3,00,000	1,00,000
EPS	0.56	0.28

EPS does not improve through debt at this return. Option II yields only Rs 0.28 against Rs 0.56 under Option I. Since 8% is below the 10% interest rate, debt creates unfavourable financial leverage and reduces the earnings available per equity share.

Step 4: Conclusion (i) At 12% ROI, choose Option II: EPS is Rs 1.12 versus Rs 0.84 under Option I. (ii) At 8% ROI, borrowing does not improve EPS: Option II yields Rs 0.28 versus Rs 0.56 under Option I, because the return is below the interest cost.

Quick Tip to Solve: Keep the sequence EBIT, less interest, less tax, then divide by equity shares. Debt helps EPS only when the investment earns more than its fixed interest cost in this comparison.

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

- (i) Planning is a mental exercise.
- (ii) Planning is continuous.
- (iii) Planning is futuristic.
- (iv) Planning involves decision-making.

[6 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done. It sets objectives and identifies a suitable course of action for achieving them.
- Planning involves thinking, repeated review, anticipation of future conditions and a choice among alternative courses of action. These features explain how managers prepare purposeful action rather than depend on chance.

Step 1: Explain planning as a mental exercise (i) Planning is a mental exercise: Planning is essentially an intellectual activity involving foresight, intelligent imagination and sound judgement. Before taking action, managers think about the objectives, identify possible alternatives and analyse their likely consequences. It requires logical and systematic thinking rather than guesswork or wishful thinking. Decisions are based on facts and reasonable forecasts about the situation. For example, a manager planning an increase in output must think through demand, available capacity and the resources needed before deciding how the increase can be achieved. Thus, thinking precedes doing.

Step 2: Explain why planning is continuous (ii) Planning is continuous: Plans are prepared for a particular period, such as a month, quarter or year. At the end of that period, another plan is required for the next period. Managers also monitor implementation and revise existing plans when circumstances change or when objectives have not been achieved as expected. Consequently, planning, implementation and renewed planning form an ongoing cycle. A firm cannot make one plan and then stop planning permanently; the next planning exercise draws on the results and experience of the earlier one.

Step 3: Explain the future orientation of planning (iii) Planning is futuristic: Planning is concerned with looking ahead and preparing the organisation to deal with future events. Managers anticipate likely conditions and decide the actions needed to achieve the desired objectives. Forecasting is therefore an important part of planning: estimates of sales, prices, competition and other relevant conditions provide a basis for plans. For instance, expected future demand guides a production plan. The future is uncertain, but planning makes a systematic effort to anticipate it and prepare suitable action instead of waiting for events to occur.

Step 4: Explain the role of choosing among alternatives (iv) Planning involves decision-making: Managers normally have alternative ways of achieving an objective. Planning requires identifying these alternatives, evaluating their advantages, costs and limitations, and selecting the most suitable course of action. The chosen alternative must be feasible and should contribute most effectively to the objective within available resources. For example, an enterprise may compare producing a component internally with purchasing it from a supplier. If only one possible course of action exists and there is no choice, the need for planning in this sense does not arise. Choice is therefore central to planning.

Step 5: Conclusion Planning is a mental exercise because it requires systematic thinking; it is continuous because plans are renewed and revised; it is futuristic because it anticipates future conditions; and it involves decision-making because a suitable course of action must be selected from alternatives.

Quick Tip to Solve: Connect each feature with its deciding idea: mental exercise means thinking, continuous means an ongoing cycle, futuristic means looking ahead, and decision-making means choosing among alternatives.

OR

32(b). Explain any four points of importance of Organising function of management.

[6 marks]

Solution:

Concept:

- Organising means identifying and grouping activities, assigning duties and establishing authority relationships so that people can work together to achieve organisational objectives.
- Its importance lies in converting a plan into a clear structure of jobs, responsibilities and reporting relationships. Four important benefits are specialisation, clarity in working relationships, optimum utilisation of resources and adaptation to change.

Step 1: Explain specialisation and clarity in working relationships Benefits of specialisation:

Organising divides the total work into smaller jobs and allocates each job to a suitable person. Repeated performance of a specific job allows an employee to gain experience, skill and proficiency. This systematic division of work reduces the burden on an individual and improves productivity through specialisation.

Clarity in working relationships: Organising specifies who is responsible for each task, who has the authority to make decisions and who reports to whom. Employees know from whom to take instructions and to whom they are accountable. Clear authority-responsibility relationships remove ambiguity and confusion and help different people coordinate their work.

Step 2: Explain resource utilisation and adaptation to change Optimum utilisation of resources:

Jobs are assigned according to employees' knowledge and abilities, while duties and responsibilities are clearly defined. This helps avoid duplication of work, overlapping effort and wastage. Human, material and financial resources can consequently be used effectively instead of being left idle or employed on the same task unnecessarily.

Adaptation to change: A properly designed organisation structure provides scope for modifying jobs, relationships and activities when the business environment changes. Existing activities can be reorganised and new activities can be introduced without disrupting the entire organisation. This flexibility helps the enterprise adjust to new technology, market conditions and other external changes while continuing its operations.

Step 3: Conclusion Organising is important because it develops specialisation, makes working relationships clear, ensures optimum utilisation of resources and enables the enterprise to adapt to change. Together, these benefits make coordinated implementation of plans possible.

Quick Tip to Solve: For each importance point, first state its NCERT heading and then explain how the allocation of jobs or authority produces that benefit.

33(a). Explain any four psychological barriers to communication.

[6 marks]

Solution:

Concept:

- Communication is the exchange of ideas, facts and feelings so that the receiver understands the intended meaning. A psychological barrier arises from the mental or emotional state of the sender or receiver.
- Premature evaluation, lack of attention, loss by transmission and poor retention, and distrust can prevent a message from being received or understood correctly even when the words themselves are clear.

Step 1: Explain premature evaluation and lack of attention **Premature evaluation:** The receiver judges the meaning or value of a message before the sender has completed it. Such evaluation may arise from preconceived ideas, prejudice or an unfavourable opinion of the speaker. By deciding too early that the message is unimportant or incorrect, the receiver misses its complete meaning. Communication requires listening to the whole message before reaching a judgement.

Lack of attention: A receiver whose mind is occupied with personal concerns or other work may not listen attentively to the message. Although the words reach the receiver, important details are missed because sufficient attention is not given to them. For example, an employee worried about a personal problem may fail to understand instructions properly. Thus mental preoccupation obstructs effective communication.

Step 2: Explain loss in transmission and distrust **Loss by transmission and poor retention:** When a message passes successively through several people, some information may be lost, altered or inaccurately repeated at each stage. Further, people cannot retain every detail of a lengthy oral message in their memory. Poor retention can therefore make the message incomplete when it is recalled or passed on, reducing the accuracy of communication.

Distrust: If the sender and receiver do not trust each other, the receiver may doubt or disbelieve the message. The receiver may attach an unintended motive to the sender's words, withhold information or reject even a useful suggestion. This lack of confidence prevents free exchange and mutual understanding, so the intended message does not achieve its purpose.

Step 3: Conclusion The four psychological barriers are premature evaluation, lack of attention, loss by transmission and poor retention, and distrust. They obstruct communication by distorting judgement, reducing attention, weakening accuracy or preventing acceptance of the message.

Quick Tip to Solve: Connect psychological barriers with the listener's mind: judging too soon, not attending, forgetting or distorting, and not trusting.

33(b). Explain the following steps in the process of staffing :

(i) Estimating the Manpower Requirements

(ii) Recruitment

(iii) Performance Appraisal

[6 marks]

Solution:

Concept:

- Staffing is the managerial function of finding the right people for the right jobs and maintaining a competent workforce through recruitment, selection, development and evaluation.
- Estimating manpower requirements determines the number and type of personnel needed; recruitment creates a pool of candidates; performance appraisal evaluates employees against established standards.

Step 1: Explain estimating the manpower requirements Determine the number and type of employees required: Management first examines the work to be performed, the skills needed for each job and the people presently available. Merely counting employees is insufficient: their qualifications, abilities and experience must also suit the tasks.

Compare workload and workforce: Workload analysis determines the number and types of human resources necessary to perform the jobs and accomplish organisational objectives. Workforce analysis examines the number and types of personnel already available. Comparing the two reveals whether the enterprise is understaffed, overstaffed or appropriately staffed. This comparison guides recruitment, redeployment or other staffing action and prevents both shortages and unnecessary employment costs.

Step 2: Explain recruitment Search for prospective employees: Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. Once the manpower requirement is known, the enterprise identifies suitable sources of candidates, such as existing employees or the external labour market.

Create a pool for selection: The organisation communicates job opportunities and encourages qualified persons to apply. Its purpose is to attract a sufficiently large pool of suitable applicants from which the best candidates can subsequently be selected. Recruitment is a positive process because it invites applications; it does not itself make the final choice of employees.

Step 3: Explain performance appraisal Evaluate actual performance against standards: Performance appraisal means evaluating an employee's current and/or past performance against pre-determined standards. The organisation defines the job, establishes suitable performance standards, measures actual performance and compares the results with those standards.

Provide feedback for improvement: The employee is informed of the assessment so that strengths can be maintained and weaknesses corrected. Appraisal helps identify training needs and provides a basis for personnel decisions such as promotion and compensation. Thus, it is a systematic evaluation of work already performed, rather than the initial search for employees.

Step 4: Conclusion Estimating manpower requirements establishes staffing needs, recruitment attracts applicants to meet those needs, and performance appraisal checks how effectively employees perform after appointment. Together, these steps help the organisation obtain and maintain a capable

workforce.

Quick Tip to Solve: Link each staffing step to its purpose: estimate the need, attract applicants, and evaluate employees against standards. Keep recruitment distinct from selection.

34. 'Marut Enterprises' is a large company manufacturing washing machines. From the last few months, employees have been reporting dissatisfaction with the overall work environment which has led to a decline in productivity. The management realized that there is no coordination between various departments. On one hand, the Production Manager is giving instructions to the workers to speed up the work to achieve the targets whereas on the other hand, the Sales Manager is also giving instructions to the workers of the production department to slow down the production as sales are not picking up. It was also observed by the company's management that there is a lack of proper communication among different levels of superiors and subordinates. Even in case of emergencies, a worker is not in a position to contact the Chief Executive Officer directly, which is affecting the productivity and the morale of the workforce. The management felt a need to foster a positive environment which may promote team spirit of unity and harmony among the employees. Identify and explain the three principles of management given by Henri Fayol which can help in addressing the challenges faced by the company.

[6 marks]

Solution:

Concept:

- Henri Fayol's principles are general guidelines for managerial decisions and conduct. They help establish clear authority, effective communication and cooperative working relationships.
- Unity of command addresses conflicting orders, scalar chain regulates the formal line of communication, and esprit de corps promotes team spirit and harmony.

Step 1: Apply unity of command to conflicting instructions **Identification and evidence:** The principle is **unity of command**. The case states that the Production Manager tells workers to "speed up the work", while the Sales Manager also instructs the production workers to "slow down the production". The same workers are therefore receiving incompatible instructions from two superiors.

Explanation and application: According to this principle, each individual employee should receive orders from only one superior and be accountable to that superior. Dual command creates confusion about whose instructions to follow, weakens authority and makes responsibility difficult to fix. Marut Enterprises should clarify the reporting relationship of production workers. Sales requirements should be coordinated with the Production Manager through the proper managerial channel, rather than the Sales Manager directly issuing contradictory orders to those workers.

Step 2: Use the scalar chain with a gang plank in emergencies **Identification and evidence:** The principle is **scalar chain**. The case describes "a lack of proper communication among different levels of superiors and subordinates" and notes that "Even in case of emergencies, a worker is not in a position to contact the Chief Executive Officer directly".

Explanation and application: The scalar chain is the formal line of authority and communication running from the highest to the lowest ranks. Normally, communication should follow this chain so that responsibility and authority remain clear. However, rigid adherence can cause delay when urgent

communication is required. Fayol permits a **gang plank**, or direct contact to meet an emergency, while keeping the concerned superiors informed. The company should establish clear normal channels and an authorised emergency shortcut instead of allowing urgent messages to be delayed at every intermediate level. A gang plank is an emergency exception, not a general abandonment of the hierarchy.

Step 3: Build esprit de corps to improve morale **Identification and evidence:** The principle is **esprit de corps**. The case expressly calls for “team spirit of unity and harmony among the employees”, following dissatisfaction with the work environment and declining productivity.

Explanation and application: Management should promote a spirit of teamwork and unity among employees. Fayol favoured replacing “I” with “We” in organisational dealings so that people develop mutual trust, a sense of belonging and a common purpose. Marut Enterprises should encourage cooperation between departments, avoid divisions and support constructive communication. When employees see themselves as members of one team, rather than competing groups, their morale improves and their efforts can be directed towards common organisational objectives.

Step 4: Conclusion The three relevant principles are unity of command, scalar chain with an emergency gang plank, and esprit de corps. They would remove conflicting instructions, improve timely communication and encourage the unity and harmony needed to restore productive teamwork at Marut Enterprises.

Quick Tip to Solve: Match each clue to its remedy: two bosses means unity of command; hierarchy and emergency communication mean scalar chain and gang plank; unity and harmony mean esprit de corps.