

CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/S/3 - 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. 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 over a period of time and are used repeatedly.
- Single-use plans meet the needs of a particular project or event and are not meant for recurring use.

Step 1: Identify the recurring guides Policies provide broad guidelines for decisions; procedures prescribe a sequence of actions; methods prescribe the way of performing a task; and rules state what must or must not be done. Thus (ii), (iv), (v) and (vi) are standing plans.

Step 2: Eliminate single-use plans Budgets express expected results numerically for a specified period or activity, and programmes combine objectives, policies, procedures and other arrangements for a particular undertaking. Both are classified as single-use plans. Option (A) includes programmes; (C) also includes programmes; and (D) includes both budgets and programmes, so each is incorrect.

Step 3: Conclusion Policies, procedures, methods and rules are standing plans. Hence, the correct option is (B).

Quick Tip to Solve: Recurring activities need standing guides: remember policies, procedures, methods and rules together.

2. 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 concerns allocating funds to assets or projects expected to generate future returns.
- Cash flows, expected rate of return and investment criteria are the key factors used to evaluate investment proposals.

Step 1: Identify the decision being tested Investment appraisal compares the money invested with the future cash flows and returns expected from a project. Investment criteria such as the appraisal technique and minimum acceptable return help assess whether a project should be accepted.

Step 2: Locate the factor belonging to financing Control considerations relate to the choice of sources of finance: issuing additional equity may dilute existing shareholders' control. They are therefore associated with financing decisions. Option (A), investment criteria, (C), project cash flows, and (D), rate of return, all directly affect investment decisions and cannot answer the negative question.

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

Quick Tip to Solve: For a negative investment-decision MCQ, separate project appraisal factors from factors affecting the debt-equity choice.

3. 'The stock exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.'

The function of the stock exchange highlighted above is :

[1 mark]

- (A) Pricing of securities
- (B) Safety of transaction
- (C) Spreading of equity cult
- (D) Providing scope for speculation

Correct Answer: (C) Spreading of equity cult

Solution:

Concept:

- Spreading of equity cult means encouraging wider public participation in ownership of companies through equity investment.
- Stock exchanges promote informed investment through public education, sound trading practices

and regulation.

Step 1: Match the quotation to the function The decisive words are “ensuring wider share ownership and “educating the public about investments. These describe encouraging more people to invest in shares and become part-owners of companies: spreading of equity cult.

Step 2: Reject the other functions Pricing of securities, option (A), concerns the interaction of demand and supply in determining prices. Safety of transaction, option (B), concerns a regulated and reliable trading framework. Providing scope for speculation, option (D), permits controlled speculative activity that supports liquidity. None identifies the wider ownership and investor education emphasised in the quotation.

Step 3: Conclusion The highlighted function is spreading of equity cult. Hence, the correct option is (C).

Quick Tip to Solve: Wider share ownership and investor education are the identifying clues for spreading of equity cult.

4. 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 is the transfer of authority from a superior to a subordinate to perform assigned tasks.
- Decentralisation is the systematic dispersal of authority throughout the organisation and gives lower levels greater decision-making autonomy.

Step 1: Check the statements about delegation Option (A) is correct because a manager cannot perform every task alone and must delegate. Option (B) is correct because delegation concerns the relationship between a superior and the immediate subordinate. Option (C) is correct because delegation is a process through which tasks and corresponding authority are shared.

Step 2: Identify the decentralisation statement Option (D), “It increases the role of the subordinates in the organisation by giving them more autonomy, states the NCERT distinction describing decentralisation. Delegation provides authority to perform assigned tasks, while the superior retains overall accountability; decentralisation enlarges the subordinate’s role through wider dispersal of decision-making power.

Step 3: Conclusion The incorrect statement with respect to delegation is the one describing increased autonomy under decentralisation. Hence, the correct option is (D).

Quick Tip to Solve: When distinguishing delegation from decentralisation, link a wider role and greater autonomy at lower levels with decentralisation.

5. 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 of a product.
- Protection during storage, handling and transportation is an essential function of packaging, especially for fragile goods.

Step 1: Use the evidence of the broken bottles The case states that “two bottles were broken as the container or wrapper was not adequate to protect the bottles. The failure directly concerns the protective container or wrapper, which is the packaging decision.

Step 2: Distinguish the other product decisions Branding, option (A), gives a product a name, sign or symbol to identify and differentiate it. Labelling, option (C), provides identification and descriptive information on the product or package. Neither is shown to be deficient here. Option (D) wrongly adds labelling to the packaging failure; no missing or incorrect label is mentioned in the case.

Step 3: Conclusion The neglected product-related decision was packaging. Hence, the correct option is (B).

Quick Tip to Solve: If goods break because the container or wrapper fails, identify packaging rather than branding or labelling.

6. “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 opportunities to support marketing decisions.
- Marketing decisions are better informed when firms collect and interpret views from their target customers.

Step 1: Read the customer-information clue The companies use interactive Internet sites “to gather customer views and opinions, before taking important business decisions. Collecting such views supplies information about the market and consumers, so the highlighted function is gathering and analysing market information.

Step 2: Separate collection from subsequent activities Marketing planning, option (A), formulates the marketing objectives and programme. Product designing and development, option (B), determines product features and improvements. Branding, option (C), creates an identifying name or symbol. Information gathered from customers may support these activities, but the action specifically described is collecting market information.

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

Quick Tip to Solve: Customer views collected before decisions indicate market information; the later use of that information is a separate function.

7. '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:

- Comparing actual performance with standards reveals whether performance matches the predetermined targets.
- Analysing deviations follows comparison and examines the causes and significance of differences; corrective action addresses those causes.

Step 1: Identify the comparison in the case The target was to reduce production cost by 15%. Management then "reviews the progress and finds that the cost reduction measures implemented have not been as effective as planned. Actual progress is being judged against the planned reduction, which is comparison of actual performance with standards.

Step 2: Distinguish the other stages Setting performance standards, option (A), occurred when the target was fixed. Analysing deviations, option (C), would require investigating why the shortfall occurred and its significance; the case does not describe this. Taking corrective actions, option (D), would involve changing measures to remove the shortfall, which has also not yet been stated.

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

Quick Tip to Solve: A target-versus-result review is comparison; identifying reasons for the gap is the later analysis stage.

8. 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 personal interaction, friendship and shared interests within a formal organisation.
- Unlike the deliberately prescribed formal organisation, it has no definite structure or fixed chain of authority.

Step 1: Evaluate the assertion The assertion is false. Informal groups and their connections develop through interaction rather than a formally designed organisation chart. Their relationships may change as members interact; a definite structure or form is a feature of formal organisation.

Step 2: Evaluate the reason The reason is true. Informal organisation is a complex network of social relationships among members. These social links can cut across departments and official reporting lines.

Step 3: Select the matching alternative Options (A) and (B) wrongly treat the assertion as true. Option (C) also treats the assertion as true and the reason as false. Only option (D) correctly gives a false assertion and a true reason.

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

Quick Tip to Solve: Associate a prescribed organisation chart with formal organisation and spontaneous social links with informal organisation.

9. 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 and seeks customer satisfaction.
- The societal marketing concept adds the long-term welfare of consumers and society to customer satisfaction and organisational objectives.

Step 1: Identify the evidence in the case The company identifies parents' needs for 'eco-friendly and safe toys'. More decisively, it ensures that its 'manufacturing process will not harm the environment'. This expressly includes society's environmental welfare in its marketing efforts.

Step 2: Compare the four philosophies The selling concept stresses selling and promotion of existing products. The product concept stresses product quality and features. The marketing concept stresses satisfying target customers, but does not by itself capture the additional social and environmental concern emphasised here. The societal marketing concept includes both customer satisfaction and long-term social welfare.

Step 3: Conclusion Deepak Toys Ltd. follows the societal marketing concept. Hence, the correct option is (D).

Quick Tip to Solve: When a case combines target-customer satisfaction with environmental or long-term social welfare, identify societal marketing.

10. 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 precisely what must or must not be done in a particular situation.
- Rules leave no scope for discretion in their application; they differ from policies that guide decision-making.

Step 1: Identify the compulsory direction on the notice board The notice says 'No Food or Drink Allowed'. It prohibits a specific action in the factory. Employees are not being offered alternatives or asked to choose how to apply a broad guideline; the direction must be obeyed.

Step 2: Eliminate the other types of plan A method prescribes the way or manner of performing a task. A policy provides a general guide to decisions. A strategy is a comprehensive plan for achieving organisational objectives, taking the environment into account. None of these describes this direct prohibition. The notice is a rule.

Step 3: Conclusion The type of plan displayed is a rule. Hence, the correct option is (D).

Quick Tip to Solve: A notice that directly permits or prohibits a particular action, with no discretion, states a rule.

11. 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 converts plans into a workable arrangement of activities, duties and authority relationships.
- The NCERT sequence is identification and division of work, departmentalisation, assignment of duties, and establishing reporting relationships.

Step 1: Arrange the activities logically First identify all the work and divide it into manageable activities. Next group similar activities into departments. Then assign duties to suitable people. Finally establish who reports to whom, so authority and responsibility are clear.

Step 2: Check each offered sequence Options (A) and (B) put departmentalisation before identification and division of work, although activities must first be identified before they can be grouped. Option (D) establishes reporting relationships before assigning duties. Option (C) alone presents all four stages in their correct order.

Step 3: Conclusion The correct sequence is identification and division of work, departmentalisation, assignment of duties, and establishing reporting relationships. Hence, the correct option is (C).

Quick Tip to Solve: Remember the organising order as: divide work, group work, assign work, then define reporting relationships.

12. '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 objective within the required time.
- Efficiency concerns carrying out work with minimum cost and optimal use of resources; meeting the deadline alone does not prove efficiency.

Step 1: Assess achievement of the objective The case states that 'the project was completed on time'. GEO Builders therefore achieved its deadline objective and was effective, even though the original weather-related delay required additional measures.

Step 2: Assess the resources used and eliminate alternatives The firm hired more workers and required overtime, and the 'cost of building the flats increased by 10%'. In the intended effectiveness-efficiency comparison, it achieved the result at increased cost and was not efficient. Option (A) reverses the two conclusions, option (C) denies the achieved objective, and option (D) overlooks the increased cost.

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

Quick Tip to Solve: Check the deadline or target for effectiveness, then check the cost and resources used for efficiency.

13. '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, interest rates and related economic factors affecting business.
- Changes in purchasing power and price levels influence demand, pricing and business profitability.

Step 1: Identify the specific environmental clues The case expressly mentions 'changes in inflation rates and disposable income of people'. Inflation concerns the general price level, while disposable income affects consumers' purchasing power. These are economic conditions.

Step 2: Distinguish the other dimensions The political environment concerns political conditions and attitudes towards business. The technological environment concerns scientific advances and techniques. The social environment concerns traditions, values, lifestyles and related social forces. None is the dimension directly identified by inflation and disposable income, so options (A), (B) and (D) do not fit.

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

Quick Tip to Solve: Use the named factor to classify the environment: inflation, income and interest rates point to the economic dimension.

14. 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 divides earnings between distribution to shareholders and retention in the business.
- Companies with good growth opportunities need funds for investment and generally retain a larger share of earnings, reducing the dividend distributed.

Step 1: Evaluate the assertion The assertion is true in the dividend-decision relationship tested here. Growth companies generally distribute a smaller dividend because they need to finance expansion, whereas non-growth companies have fewer such investment requirements.

Step 2: Evaluate the reason The reason is true. Retaining a larger share of earnings provides internal finance for the investments required to exploit good growth opportunities.

Step 3: Check the explanatory link and other options More retention out of earnings leaves a smaller share available for dividends. The reason therefore directly explains the assertion. Option (B) wrongly denies this link; option (C) wrongly calls the reason false; option (D) wrongly calls the assertion false.

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

Quick Tip to Solve: For a dividend question, link growth opportunities to more retained earnings and therefore a lower dividend payout.

15. 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 need; customers buy the benefits it offers, rather than merely its physical features.
- The benefits sought from a product may be functional, psychological and social.

Step 1: Identify the incorrect benefit categories Option (C) incorrectly substitutes promotional and technological benefits for the psychological and social benefits in the NCERT classification. Functional benefits relate to use, psychological benefits to personal satisfaction, and social benefits to acceptance or status.

Step 2: Check the remaining descriptions Option (A) correctly explains that the buyer purchases what the product does for them. Option (B) correctly calls a product a bundle of utilities capable of satisfying a need. Option (D) correctly includes benefits from the customer's viewpoint, rather than restricting product to a physical object. These three descriptions are therefore not the incorrect statement requested.

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

Quick Tip to Solve: For product-benefit questions, recall the three terms together: functional, psychological and social.

16. 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 places the right people in the right jobs and sustains organisational performance through competent human resources.
- Estimating manpower requirements covers both the number of employees and the qualifications or skills needed.

Step 1: Evaluate Statement I Statement I is true. Organisational results depend on the people who perform the work. Rapid technological change makes identifying, selecting and developing employees with suitable abilities increasingly important; staffing therefore remains a fundamental driver of performance.

Step 2: Evaluate Statement II and compare the options Statement II is false because the word only wrongly limits manpower requirements to headcount. A manager must also assess the type of people required, their skills and qualifications, and the nature of jobs to be performed. 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 staffing, test both quantity and quality: how many people are needed and what abilities they must possess.

17. 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 is the process by which securities are held in electronic form instead of physical certificates.
- A depository holds electronic securities and facilitates their transfer through depository participants.

Step 1: Identify the process described The question refers to the process of holding securities in an electronic form. This is dematerialisation: the investor's securities are represented by electronic records in a demat account, making physical possession of share certificates unnecessary.

Step 2: Distinguish the other terms Rematerialisation, option (B), is the reverse process of converting electronic holdings back into physical certificates. A depository, option (C), is the institution that holds securities electronically, not the name of the process. Capitalisation, option (D), concerns the capital of an enterprise and does not describe electronic holding of securities.

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

Quick Tip to Solve: Remember the direction: dematerialisation removes physical certificates; rematerialisation restores them.

18. 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:

- Directing includes instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- Leadership influences people, communication creates common understanding, and motivation stimulates action.

Step 1: Match each definition to its concept Definition (a), influencing people to strive willingly for group objectives, describes leadership, so (a)-(ii). Definition (b), exchanging ideas, views, facts and feelings to create common understanding, describes communication, so (b)-(i).

Step 2: Complete the matches and eliminate incorrect sets Definition (c) lists the overall managerial activities of directing, so (c)-(iv). Definition (d), stimulating people to act towards desired goals, describes motivation, so (d)-(iii). Option (A) wrongly interchanges communication and motivation; (C) wrongly pairs influencing people with directing and exchanges ideas with motivation; (D) wrongly pairs influencing with motivation and the overall process with leadership. Only (B) preserves all four definitions.

Step 3: Conclusion The definitions correspond respectively to 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, and stimulate means motivation.

19. _____ 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 record issued by a broker after execution of a securities trade.
- It is issued within 24 hours of the trade and provides documentary evidence for settling disputes between broker and investor.

Step 1: Identify the document from its legal role The defining clues are legally enforceable, issued within 24 hours of executing a trade, and useful for settling disputes or claims. Together these identify the contract note, which records the executed transaction and the relevant trading particulars.

Step 2: Separate execution evidence from earlier records An order confirmation slip, option (B), acknowledges an order and is not the specified legally enforceable record of the completed trade. A unique order code, option (C), identifies an order rather than constituting the required document. A

client registration form, option (D), records the investor's registration details before trading; it does not evidence a particular executed transaction.

Step 3: Conclusion The document is a contract note. Hence, the correct option is (A).

Quick Tip to Solve: Link the clues executed trade, 24 hours and dispute evidence directly to the contract note.

20. 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 is a market for the creation and exchange of financial assets and channels savings towards investment.
- By the maturity of instruments traded, financial markets are classified into money market and capital market.

Step 1: Evaluate Statement I Statement I is true: financial markets provide a mechanism through which financial assets are created and exchanged. They bring together suppliers of funds and those seeking funds, enabling financial claims to be issued or traded.

Step 2: Evaluate Statement II and choose the combination Statement II is also true. The money market deals in short-term funds and monetary assets with maturity up to one year, while the capital market deals in medium- and long-term funds. Thus maturity is the stated basis of classification. Option (A) incorrectly rejects Statement II, option (B) incorrectly rejects Statement I, and option (C) incorrectly rejects both. The combination accepting both statements is (D).

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

Quick Tip to Solve: Identify the classification basis before choosing: maturity separates money market from capital market.

21(a). State the three leadership styles.

[3 marks]

Solution:

Concept:

- Leadership is the process of influencing people's behaviour so that they willingly strive towards organisational goals. A leadership style describes how a leader uses authority and involves subordinates in decisions.
- NCERT identifies three main styles: autocratic or authoritarian, democratic or participative, and laissez-faire or free-rein. They differ in the freedom given to followers rather than in the basic goal of directing their efforts.

Step 1: State the authority-centred style Autocratic or authoritarian leadership: The leader gives orders and expects subordinates to obey them. Decisions are concentrated in the leader's hands, with little participation by followers. Communication of instructions is mainly from the leader to subordinates.

Step 2: State the styles that give followers participation and freedom Democratic or participative leadership: The leader develops action plans and makes decisions in consultation with subordinates. Employees contribute ideas, and the leader encourages their involvement in achieving the group's objectives.

Laissez-faire or free-rein leadership: The leader gives subordinates a high degree of independence in formulating objectives and methods. The group makes many decisions itself, while the leader supplies information and resources and acts as a contact with the external environment.

Step 3: Conclusion The three leadership styles are autocratic, democratic and laissez-faire. They range from decision-making concentrated in the leader to substantial freedom for the group.

Quick Tip to Solve: Remember the sequence as leader decides, leader consults, and group decides: autocratic, democratic and free-rein respectively.

OR

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

[3 marks]

Solution:

Concept:

- Motivation stimulates people to act in a desired manner to achieve organisational objectives. Financial incentives are incentives that can be measured in money and help satisfy employees' financial needs.
- Such incentives can be offered to individuals or groups. They supplement the basic remuneration arrangement by rewarding service, performance or participation in the organisation's success.

Step 1: State a regular monetary incentive Pay and allowances: Salary is the basic monetary incentive for employees. It includes basic pay, dearness allowance and other allowances. Regular increments in salary and suitable increases in allowances motivate employees by improving their

financial position and recognising their continuing contribution.

Step 2: State incentives that reward performance and profits **Bonus:** A bonus is an incentive offered over and above wages or salary. It gives employees an additional monetary benefit and can encourage them to make greater efforts for the organisation.

Profit sharing: Under profit sharing, employees receive a share in the profits of the organisation. Linking an additional reward to organisational profits encourages employees to improve performance and contribute to higher profits, because they also benefit from the organisation's success.

Step 3: Conclusion Three financial incentives that may motivate people are pay and allowances, bonus, and profit sharing. Each provides a monetary benefit, although the basis and timing of the payment differ.

Quick Tip to Solve: Choose incentives with a direct monetary value; recognition, status and job enrichment belong to the non-financial category.

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

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) regulates the securities market to provide an orderly framework for market operations and to safeguard investors' interests.
- Regulatory functions establish and enforce the rules under which market institutions and intermediaries operate. They are distinct from development functions such as training intermediaries and protective functions such as prohibiting fraudulent trade practices.

Step 1: State the regulation of market participants **Registration of brokers and other market players:** SEBI registers stockbrokers, sub-brokers and other participants in the securities market. Registration brings these intermediaries within the regulatory framework so that they must satisfy the prescribed requirements and follow applicable rules.

Step 2: State the regulation and supervision of market operations **Regulation of stockbrokers and merchant bankers:** SEBI regulates the business of stockbrokers, underwriters and merchant bankers. This helps ensure that these intermediaries perform their market activities according to the rules laid down for them.

Inspection and audit of stock exchanges: SEBI undertakes inspections, conducts enquiries and carries out audits of stock exchanges and intermediaries. Such supervision checks compliance with the regulatory framework and allows irregularities in market operations to be identified.

Step 3: Conclusion Three regulatory functions of SEBI are registration of brokers and other market players, regulation of the business of intermediaries such as stockbrokers and merchant bankers, and inspection, enquiry and audit of stock exchanges and intermediaries.

Quick Tip to Solve: For regulatory functions, use registration, regulation and inspection; do not substitute training of intermediaries, which is a developmental function.

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

(i) Liquidity

(ii) Safety

(iii) Expected Return

[3 marks]

Solution:

Concept:

- Capital markets deal in medium- and long-term funds through instruments such as shares and debentures. Money markets deal in short-term funds through instruments with maturity of up to one year.
- Liquidity is the ease of converting an investment into cash. Safety concerns the risk of losing funds, while expected return is the income or gain anticipated from investment.

Step 1: Compare the three specified bases The differences are as follows:

Basis	Capital Market	Money Market
Liquidity	Securities are comparatively less liquid, although a stock exchange provides a mechanism for their sale.	Instruments enjoy a higher degree of liquidity and are readily convertible into cash.
Safety	Investment is riskier because returns and repayment depend more on the issuer's performance and market conditions.	Instruments are generally safer owing to short maturity and the financial strength of issuers.
Expected return	Expected returns are generally higher, with scope for capital gains as well as income.	Expected returns are generally lower because the investment period is short and risk is comparatively low.

Step 2: Relate maturity to risk and return Long-term investment exposes a capital-market investor to greater business and price uncertainty, so a higher return is normally expected as compensation. Short-term money-market instruments generally combine greater safety and liquidity with lower returns. These are comparative characteristics, rather than a promise that every individual security will produce a particular return.

Step 3: Conclusion Relative to the money market, the capital market offers lower liquidity and safety but higher expected returns. The money market offers higher liquidity and safety with lower expected returns.

Quick Tip to Solve: Link the three comparisons to maturity: short-term money-market funds generally mean greater liquidity and safety, while longer-term capital-market investment seeks a higher return.

23. '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 structure groups activities on the basis of different products. Each division has its own functional resources and a head responsible for the division's performance.
- Product-wise responsibility facilitates assessment of performance, but separate divisions can compete for resources and duplicate activities.

Step 1: Identify and explain the structure **Divisional structure:** Chaman Pharmaceuticals Ltd. adopted a divisional structure after diversifying. Activities relating to each product category are grouped into a separate division, which performs the functions needed for that product under its own head. The line, "Each product category had a different head accountable for profits, revenues and costs," establishes product-wise divisions with their own accountability. This is more than merely arranging all employees into common functional departments such as production and marketing.

Step 2: State the advantage with the case evidence **Accountability for performance:** Divisional heads can be held responsible for the profits and performance of their respective products. Poorly performing divisions can therefore be identified and appropriate remedial action taken. The case states, "In case of poor performance of their product, the heads were held responsible." This makes assessment of each product division's results easier.

Step 3: State one disadvantage with the case evidence **Duplication of activities and increased cost:** Maintaining similar functional facilities and personnel separately in different divisions duplicates resources and raises expenditure. The case evidence is, "Also providing a separate set of similar functional heads for each product category increased expenditure." Thus, the company loses some economies that could arise from sharing a common functional resource across all products.

Step 4: Conclusion The company adopted a divisional structure. Accountability for each product division's performance is an advantage, while duplication of functional activities and the resulting higher expenditure is a disadvantage demonstrated in the case.

Quick Tip to Solve: When a case gives each product its own head responsible for profits and costs, identify divisional structure; quote a separate case line for each advantage or disadvantage requested.

24. '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 used by a firm to achieve its marketing objectives in a target market.
- Product decisions concern the goods or services offered to satisfy customers, including quality and variety. Price decisions concern the amount customers must pay and the value they perceive in return.

Step 1: Identify and explain the product component **Product:** Refresh Zone needs to work on its product offering. The case states, "Customers had started complaining about lack of variety failing to cater to evolving consumer preferences." Product decisions involve deciding the features, quality, range and related benefits of what the firm offers. Management should review its coffee and snack range in light of changing customer tastes, introduce relevant variety and maintain quality. This would make the offering more capable of satisfying the needs of its target customers instead of relying only on its established popularity.

Step 2: Identify and explain the price component **Price:** Refresh Zone also needs to review pricing. The evidence is that "the price of coffee in 'Refresh Zone' was significantly higher than its competitors" and consumers felt that "the quality of coffee was not justifying its premium pricing." Price is the amount paid by buyers to obtain the product and affects demand and perceived value. Management should consider customer demand, competing prices, costs and product quality before fixing a suitable price. It should align its premium with the benefits customers actually receive, either by improving the offering or revising the price appropriately.

Step 3: Conclusion The two components are product and price. The company must address inadequate variety and changing preferences through product decisions, and reassess the high price in relation to competition and customers' perceived value through price decisions.

Quick Tip to Solve: In a marketing-mix case, complaints about variety or quality point to product; complaints about high charges or poor value point to price. Support each identification with the case's own words.

25. '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 consists of the external forces that affect a business enterprise. Its features describe the nature of these forces, while its importance explains why managers should understand them.
- A dynamic environment changes continually, and uncertainty makes the future difficult to predict. Environmental understanding helps a firm cope with rapid changes and improve its performance.

Step 1: Identify and explain the two features

- **Dynamic nature:** The business environment keeps changing through shifts in consumer preferences, technology and other external conditions. The case mentions a "shift in consumer demand for healthier food options" and "frequent technological advancements in production processes". Global Foods must therefore adjust its products and production methods as its surroundings change.
- **Uncertainty:** Future environmental changes cannot always be predicted accurately, particularly when changes occur frequently. The case states that the company finds it "increasingly difficult to predict future outcomes due to the constantly changing nature of the market". Fluctuating commodity prices, exchange rates and political conditions make its future business outcomes uncertain.

Step 2: Explain the two points of importance

- **It helps in coping with rapid changes:** Understanding and examining the environment enables managers to respond effectively to changes and develop suitable courses of action instead of relying on outdated practices. This is shown by the statement that, to "effectively cope up with these significant changes", managers must "understand and examine the environment to develop suitable courses of action".
- **It helps in improving performance:** Continuous environmental monitoring and suitable business practices enable an enterprise to improve present performance and remain successful 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".

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 experience described in the case.

Quick Tip to Solve: Separate what the environment is like from why studying it helps: changing conditions and unpredictable outcomes are features; effective adaptation and sustained performance are benefits.

26. 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 employees' psychological, social and higher-level needs rather than motivating them principally through money. They can create satisfaction and commitment even when another employer offers higher pay.
- Job enrichment, career advancement opportunity, employee recognition programmes and job security are distinct non-financial incentives reflected in Kapila's experience.

Step 1: Identify incentives related to work and growth

- **Job enrichment:** This means designing a job with a greater variety of work content, requiring a higher level of knowledge and skill, and providing opportunities for personal growth. Such meaningful and challenging work increases satisfaction and motivation. Kapila's job has "greater variety of work content requiring higher level of knowledge and skill" and offers "the opportunity for personal growth". These details identify job enrichment rather than simply an increase in routine tasks.
- **Career advancement opportunity:** Managers can motivate employees through appropriate skill-development programmes and a sound promotion policy, giving them opportunities to move to higher positions. The company has "appropriate skill development programmes and a sound promotion policy", and Kapila has been "getting promotions year after year". The visible prospect of progress encourages her continued commitment.

Step 2: Identify incentives related to appreciation and stability

- **Employee recognition programmes:** Recognition acknowledges an employee's contribution and appreciates good performance. It satisfies the need for esteem and encourages the employee

to continue performing well. The case states that Kapila's work is "being appreciated by the management from time to time" and that her valuable suggestions are "being rewarded". These statements show recognition of her contribution; they do not establish any particular cash reward.

- **Job security:** Employees want stability in their employment and certainty about future income and work. Assurance of continued employment reduces anxiety and encourages loyalty to the organisation. The company "implements measures to ensure stability of the employees in the organisation", which identifies job security as another reason for Kapila to remain.

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 employment stability explain Kapila's decision to stay despite higher pay offers elsewhere.

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

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

(i) Coordination ensures unity of action.

(ii) Coordination is the responsibility of all managers.

[4 marks]

Solution:

Concept:

- Coordination is the process by which a manager synchronises the activities of different departments and individuals towards the achievement of organisational goals.
- It binds the functions of management together. Individual efforts become useful to the organisation when they are directed towards a common purpose rather than separate departmental interests.

Step 1: Explain unity of action (i) Coordination ensures unity of action: Coordination acts as the binding force between departments and ensures that their actions contribute to the achievement of the organisation's goals. Different departments may perform specialised tasks, but these tasks must fit together as parts of one organisational effort.

For example, production must make the goods that the sales department has promised, while purchasing must arrange the required materials in time. Synchronising their work prevents conflicting actions, duplication and delays. Thus, coordination gives a common focus to group effort and ensures unity of action while allowing each department to carry out its own specialised activities.

Step 2: Explain the responsibility of managers at every level (ii) Coordination is the responsibility of all managers: Coordination is required at the top, middle and lower levels of management; it is not the duty of a single manager or a separate department. Every manager must harmonise the activities for which that manager is responsible with the activities of others.

Top-level managers coordinate the overall plans and policies of the organisation. Middle-level managers coordinate departmental work with that of other departments and with organisational objectives. Supervisors coordinate the efforts of workers and the use of resources in day-to-day operations. Coordination within and between these levels makes their separate efforts support the

same organisational purpose.

Step 3: Conclusion Coordination ensures unity of action by integrating specialised departmental efforts towards common goals. It is the responsibility of all managers because activities must be harmonised at every level of the organisation.

Quick Tip to Solve: For unity of action, explain how separate efforts acquire one common focus; for responsibility, show the coordinating role of top, middle and supervisory managers.

OR

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

(i) Management is a goal-oriented process.

(ii) Management is all pervasive.

[4 marks]

Solution:

Concept:

- Management is the process of getting things done with the aim of achieving goals effectively and efficiently. Effectiveness concerns achieving the desired result, while efficiency concerns using resources with minimum cost and wastage.
- Management is needed wherever people work together for a common purpose. The goals and methods may differ between organisations, but the need to plan, organise, staff, direct and control remains.

Step 1: Explain the goal-oriented nature of management (i) Management is a goal-oriented process: An organisation has a set of basic goals that provide the reason for its existence. These goals should be simple and clearly stated, so that members understand what they are working to achieve. Management unites the efforts of different individuals in the organisation towards achieving these goals.

For example, a business may aim to increase its sales while maintaining quality and controlling costs. Managers plan the required activities, arrange resources, guide employees and check results in relation to that objective. Thus, management gives direction to group effort: activities are undertaken to attain specified organisational results, rather than merely to keep people busy.

Step 2: Explain the all-pervasive nature of management (ii) Management is all pervasive: The activities involved in managing an enterprise are common to all organisations, whether economic, social or political. A business, school, hospital or charitable organisation needs management to coordinate people and resources and achieve its particular objectives.

Management is also needed at all levels of an organisation and in organisations operating in different countries. Although the goals, scale and operating methods differ, the basic managerial functions remain necessary. For instance, both a factory and a hospital must plan their work, organise resources, appoint suitable staff, guide their employees and compare actual performance with the required standards. The practical application changes with the situation, but management is universally required.

Step 3: Conclusion Management is goal-oriented because it directs individual efforts towards clearly stated organisational objectives. It is all pervasive because every kind of organisation and every managerial level requires its basic functions, though their application varies with circumstances.

Quick Tip to Solve: Link goal orientation to a clearly stated common objective; show pervasiveness through different organisations and levels, without claiming that every organisation uses identical methods.

28. '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 means comparing actual performance with predetermined standards, finding deviations and taking corrective action so that organisational objectives are achieved.
- Two points of its importance highlighted in the case are accomplishing organisational goals and judging accuracy of standards. Each is identified from a different statement in the case.

Step 1: Identify and explain accomplishing organisational goals **Accomplishing organisational goals:** The case says that the control system helps the organisation to “measure progress towards its goals and brings to light the deviations, if any.” This directly identifies the first point of importance.

Controlling measures actual performance against the standards fixed for achieving the organisation's objectives. By revealing differences between actual and desired performance, it enables managers to take corrective action and bring activities back on the right track. Thus it guides the organisation towards its goals rather than merely recording what has happened. Here, checking progress helps Pestle work towards its stated focus on quality and customer satisfaction.

Step 2: Identify and explain judging accuracy of standards **Judging accuracy of standards:** The case states that the system enables management to “verify whether the standards set are accurate and objective or not.” This identifies the second point of importance.

An efficient control system helps management assess whether the standards themselves are appropriate. While comparing actual performance with standards, managers examine whether the standards remain realistic and suitable in light of changes in the organisation and its environment. They can review and revise inappropriate standards instead of treating every difference as an employee's failure. In this way, controlling checks the usefulness and reliability of the yardsticks by which Pestle assesses performance.

Step 3: Conclusion The two points discussed are **accomplishing organisational goals** and **judging**

accuracy of standards. The first is supported by measuring progress and detecting deviations; the second by verifying that standards are accurate and objective.

Quick Tip to Solve: Link “progress towards goals” to accomplishing organisational goals, and “accuracy of standards” to judging accuracy of standards; quote the relevant case line before explaining each.

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 trade practices and ensures that businesses respect their interests, including safety, information and fair treatment.
- From the business viewpoint, protecting consumers supports the long-term interest of business and fulfils its social responsibility. These are two distinct reasons for adopting fair business practices.

Step 1: Explain the long-term interest of business **Long-term interest of business:** It is in the long-term interest of business to satisfy customers and protect their interests. A satisfied customer provides repeat business and is likely to tell others about the product and the business. This positive word of mouth helps expand the customer base, build goodwill and sustain sales over time.

A firm should therefore offer reliable quality, charge fair prices, provide correct product information and deal properly with complaints. Exploiting customers may yield a short-term gain, but it can drive them away and damage the firm’s reputation. Consumer protection helps the enterprise retain customers and remain successful in the long run. Thus business survival and growth are closely connected with the satisfaction and trust of consumers.

Step 2: Explain the social responsibility of business **Social responsibility:** Business has a responsibility towards the different groups that are affected by its activities. Consumers are an important group because they buy and use the goods and services that the business supplies. Business must therefore take care of their interests and cannot regard profit as its only obligation.

It should supply safe products of appropriate quality, avoid misleading advertisements and unfair trade practices, and attend to consumer grievances. These actions recognise the effect of business decisions on consumers’ welfare. Protecting consumers is consequently a part of responsible business conduct and should be built into the firm’s policies and everyday practices, rather than being treated merely as a response to complaints.

Step 3: Conclusion Consumer protection is important for business because it serves its **long-term interest** through satisfied, loyal customers and fulfils its **social responsibility** towards consumers as a group affected by its activities.

Quick Tip to Solve: For the business viewpoint, connect customer satisfaction with long-term success and fair treatment with social responsibility; explain the benefit or obligation under each heading.

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

(i) Standardisation and Grading

(ii) Gathering and Analysing Market Information

[4 marks]

Solution:

Concept:

- Marketing functions are the activities that help a business identify customer needs and make suitable goods and services available to satisfy them.
- Standardisation and grading facilitate a consistent product offering, while gathering and analysing market information provides the basis for marketing decisions.

Step 1: Explain standardisation and grading

- **Standardisation:** It means producing goods of predetermined specifications. Standards may relate to quality, size, design, weight or other product characteristics. Producing to these standards brings uniformity and consistency, so buyers know what to expect and do not have to inspect every unit before purchasing.
- **Grading:** It means classifying products into different groups according to important characteristics such as quality, size or weight. It is especially useful for agricultural products, whose quality cannot always be made uniform through production. Products of a similar grade can be offered together and may command a suitable price, helping buyers choose the quality they require.

Step 2: Explain gathering and analysing market information

- **Gathering information:** A marketer collects relevant information about customers' needs and preferences, purchasing behaviour, competitors and changes in the business environment. Such information helps the firm identify market opportunities and threats rather than rely on guesses about demand.
- **Analysing information:** The collected information is examined systematically to determine what customers want and how the business should respond. The findings guide decisions about the product, its price, promotion and distribution, helping the firm develop a marketing offering that meets the requirements of its target customers.

Step 3: Conclusion Standardisation provides uniform specifications and grading separates products into meaningful quality groups. Gathering and analysing market information helps the marketer understand customer requirements and take suitable marketing decisions.

Quick Tip to Solve: Separate the terms clearly: standardisation sets specifications, grading classifies goods, and market information guides decisions.

30(b). Explain the following components of Physical Distribution :**(i) Order Processing****(ii) Transportation**

[4 marks]

Solution:**Concept:**

- Physical distribution covers the physical movement of finished products from the producer to customers. It aims to make the right goods available at the right place and time.
- Order processing deals with receiving and executing a customer's order. Transportation moves products from their place of production to the place where they are required.

Step 1: Explain order processing

- **Meaning and activities:** Order processing involves receiving a customer's order, checking its details and arranging its execution. The firm checks matters such as the customer's creditworthiness and the availability of goods, prepares the necessary documents and arranges dispatch to fulfil the order correctly.
- **Importance of speed and accuracy:** An order must be processed quickly and accurately so that the correct goods reach the customer without avoidable delay. Slow processing delays delivery and may make the customer dissatisfied or lead to lost sales. Therefore, an effective order-processing system is essential to good customer service and successful physical distribution.

Step 2: Explain transportation

- **Meaning and role:** Transportation is the physical movement of goods from one place to another, particularly from the place of production to the place of consumption. It bridges the geographical gap between producers and customers and creates place utility by making goods available where buyers need them.
- **Choice of transport:** The marketer chooses a suitable mode of transport by considering the nature of the product, delivery requirements, cost, speed and reliability. For example, perishable products need timely movement to avoid deterioration. A suitable transport arrangement helps the firm deliver products in good condition, maintain availability and control distribution costs.

Step 3: Conclusion Order processing ensures that a customer's order is received and fulfilled accurately and promptly. Transportation carries the goods to the required destination, enabling their availability to customers at the right place and time.

Quick Tip to Solve: Link order processing to accurate execution of an order, and transportation to the movement of the goods themselves.

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 proportion of debt and equity used to finance a business. Trading on equity increases the earnings available per equity share when the return earned on the funds exceeds the interest rate on debt.
- Earnings per share (EPS) compares profit after interest and tax with the number of equity shares. Interest is a fixed charge, whereas equity shareholders receive the residual profit after this charge and tax.

Step 1: Determine the shares and fixed interest under each option The case says that the company needs Rs 30,00,000 and that shares have a face value of Rs 10 each. Under Option I, all Rs 30,00,000 is equity, so there are 3,00,000 shares and no interest. Under Option II, the equity of Rs 10,00,000 gives 1,00,000 shares; the debt of Rs 20,00,000 carries annual interest of Rs 2,00,000 at 10%. These financing amounts and share numbers remain the same for both return scenarios.

Step 2: Compare earnings per share at the given return of 12% The case states, "The return on investment of the firm is 12% and tax rate is 30%." Both options invest the same Rs 30,00,000, so earnings before interest and tax are Rs 3,60,000. Subtract interest first, charge tax on the balance, and then divide the profit after tax by the number of equity shares.

Particulars	Option I	Option II
Investment (Rs)	30,00,000	30,00,000
EBIT at 12% (Rs)	3,60,000	3,60,000
Less: Interest (Rs)	Nil	2,00,000
Profit before tax (Rs)	3,60,000	1,60,000
Less: Tax at 30% (Rs)	1,08,000	48,000
Profit after tax (Rs)	2,52,000	1,12,000
Number of equity shares	3,00,000	1,00,000
EPS (Rs)	0.84	1.12

For part (i), **Option II** is preferable on the EPS criterion: Rs 1.12 exceeds Rs 0.84. The 12% return exceeds the 10% cost of debt, so the surplus earned with borrowed funds benefits the smaller number of equity shares. This is favourable financial leverage or trading on equity.

Step 3: Recalculate earnings per share when the return falls to 8% For part (ii), earnings before interest and tax become Rs 2,40,000, being 8% of Rs 30,00,000. The debt interest remains Rs 2,00,000; it does not fall merely because operating returns fall.

Particulars	Option I	Option II
EBIT at 8% (Rs)	2,40,000	2,40,000
Less: Interest (Rs)	Nil	2,00,000
Profit before tax (Rs)	2,40,000	40,000
Less: Tax at 30% (Rs)	72,000	12,000
Profit after tax (Rs)	1,68,000	28,000
Number of equity shares	3,00,000	1,00,000
EPS (Rs)	0.56	0.28

No, debt financing will not improve EPS at an 8% return. Option II yields only Rs 0.28 per share, compared with Rs 0.56 under Option I. The return is below the 10% interest rate, so fixed interest absorbs a larger share of operating earnings and trading on equity is unfavourable. Option II's EPS also falls from Rs 1.12 at the original return to Rs 0.28.

Step 4: Conclusion At 12% ROI, choose Option II: EPS is Rs 1.12 against Rs 0.84 under Option I. At 8% ROI, the debt option does not improve EPS: Option I gives Rs 0.56 and Option II Rs 0.28. Debt benefits equity earnings only when the operating return exceeds its fixed interest cost, other things remaining the same.

Quick Tip to Solve: Calculate interest before tax and use the different share counts for the two options. Compare ROI with the debt interest rate to predict the direction of the EPS effect before checking the figures.

32(a). Explain any four points of importance of Planning function of management.

[6 marks]

Solution:

Concept:

- Planning means setting objectives in advance and deciding the course of action to achieve them. It determines what is to be done, how it is to be done and who is to do it.
- Planning is important because it guides purposeful action, prepares the organisation for change and makes the use of resources more systematic. The following four points explain its importance.

Step 1: Explain how planning guides action and prepares for uncertainty **1. Planning provides directions:** By stating objectives in advance, planning tells employees what the organisation wants to achieve. It provides a guide for deciding what work should be undertaken and how different activities should contribute to the common goal. Departments and individuals can therefore coordinate their efforts instead of pursuing unrelated priorities. When everyone knows the desired result, work becomes purposeful and employees understand what is expected of them.

2. Planning reduces the risks of uncertainty: Planning requires managers to look ahead, anticipate changes in the business environment and assess their likely effect on operations. They can prepare suitable responses to possible changes in demand, competition or technology rather than react only after difficulties arise. Planning cannot eliminate uncertainty or guarantee that forecasts will be

correct, but it helps management prepare for foreseeable events and reduces avoidable surprises.

Step 2: Explain how planning saves effort and supports control **3. Planning reduces overlapping and wasteful activities:** Plans serve as the basis for coordinating the activities and efforts of different departments, divisions and individuals. Clearly assigned tasks and agreed methods make it easier to identify duplication, confusion and unnecessary work. Managers can remove redundant activities and ensure that resources are directed towards useful tasks. This improves efficiency because time, effort and materials are used with a clear purpose rather than wasted on conflicting or repeated actions.

4. Planning establishes standards for controlling: A plan specifies the objectives and expected results against which actual performance can be compared. These planned standards allow managers to identify deviations, examine their causes and take corrective action. For example, a planned production target provides the basis for checking actual output. Without a predetermined target, management cannot judge whether performance meets expectations. Thus planning supplies the standards that make effective control possible.

Step 3: Conclusion Planning provides directions, reduces the risks of uncertainty, reduces overlapping and wasteful activities, and establishes standards for controlling. Together these four benefits help an organisation move towards its objectives through coordinated, efficient and assessable action.

Quick Tip to Solve: Use the NCERT heading for each point, then explain its effect on work. For uncertainty, say that planning reduces risk; it cannot eliminate every unexpected change.

OR

32(b). Explain any four points of importance of Decentralisation.

[6 marks]

Solution:

Concept:

- Decentralisation means systematic delegation of authority throughout the organisation, so that decisions are taken at different levels instead of being concentrated at the top.
- Its importance lies in developing subordinates and allowing decisions to be taken near the point where action is required. Top management retains overall direction and accountability while lower levels exercise the authority assigned to them.

Step 1: Explain how decentralisation develops initiative **Develops initiative among subordinates:** Decentralisation gives lower-level managers freedom to make decisions within their authority. They learn to depend on their own judgement instead of referring every matter to their superiors. When employees are trusted with decision-making responsibility, they develop confidence, take initiative and seek better ways of doing their work. They also learn from the results of their decisions. Thus, decentralisation encourages self-reliance and helps employees recognise their potential.

Step 2: Explain how it creates future managers **Develops managerial talent for the future:** By taking decisions and dealing with the consequences, subordinates gain practical experience in planning, solving problems and coordinating work. This experience is more useful for managerial development than merely carrying out orders. Superiors can assess the capabilities of these managers through

their performance and identify those suited for higher responsibilities. Decentralisation therefore provides a means of preparing competent managers who can take charge when senior positions become available.

Step 3: Explain its effect on the speed of decisions Quick decision-making: Managers close to operations have first-hand knowledge of local problems and can act within their delegated authority. A routine decision need not travel up several levels for approval and then travel back down for implementation. This reduces delays and makes it possible to respond promptly to operating difficulties or opportunities. The benefit follows from placing decision-making authority near the point of action, while retaining the organisation's overall policies.

Step 4: Explain how it relieves senior management Relief to top management: When lower-level managers handle routine operational matters, senior managers are freed from making every day-to-day decision. Top management can concentrate on important policy matters, long-term plans and the coordination of the organisation as a whole. It continues to provide guidance and exercise overall control, but does not have to intervene in every minor issue. This division of decision-making responsibilities allows better use of the time and ability of both senior and subordinate managers.

Step 5: Conclusion The four points of importance are development of initiative, development of managerial talent for the future, quick decision-making and relief to top management. Together they strengthen lower-level decision-making and enable senior management to focus on the organisation's wider objectives.

Quick Tip to Solve: Link each benefit to distributed authority: confidence leads to initiative, experience develops managers, local authority saves time, and fewer routine referrals relieve top management.

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

[6 marks]

Solution:

Concept:

- Organisational barriers arise from the organisation's policies, rules, authority relationships and structure. They obstruct the free and timely flow of messages between people.
- Communication is effective when the receiver understands the message in the sense intended by the sender. Even a clearly worded message may fail to achieve this when organisational arrangements discourage contact, delay transmission or restrict feedback.

Step 1: Explain the barrier created by organisational policy Organisational policy: An organisation's policy may fail to support the free flow of communication. For example, if policy discourages direct contact between employees and senior managers, useful suggestions and information may not reach those who need them. Employees may feel that sharing information outside the prescribed route is unwelcome. As a result, messages remain confined to narrow channels and communication becomes less effective. The barrier is the organisation's approach to communication, rather than a lack of language ability on the part of the sender.

Step 2: Explain the barrier created by rules and regulations Rules and regulations: Rigid rules may require every message to pass through specified channels or meet lengthy procedural requirements.

Strict observance of such procedures can delay a message even when prompt communication is necessary. It may also prevent employees from communicating directly with the person who can resolve their difficulty. When procedures receive more attention than the purpose of the message, communication loses speed and flexibility. Thus, excessively rigid rules and regulations act as an organisational barrier.

Step 3: Explain the barrier created by status Status: The status of a superior may create a psychological distance between the superior and subordinates within the authority hierarchy. Subordinates may hesitate to approach a senior manager, ask for clarification or report unpleasant facts because they are conscious of the superior's higher position. A superior may also give insufficient attention to information coming from a lower level. Consequently, relevant information and feedback may be withheld or ignored, preventing a complete exchange of understanding between the two levels.

Step 4: Explain the barrier created by a complex structure Complexity in organisation structure: Where an organisation has many managerial levels, a message must pass through several people before reaching its destination. Each additional link can cause delay, and repeated transmission may result in omissions, additions or distortion. Information received by the final recipient may therefore differ from what the original sender intended. A long chain of communication also makes it harder for clarification and feedback to return quickly. Thus, a complex structure with numerous levels can weaken both the accuracy and timeliness of communication.

Step 5: Conclusion Four organisational barriers are organisational policy, rigid rules and regulations, status differences and complexity in the organisation structure. These barriers restrict contact, discourage feedback or cause delay and distortion as messages pass through the hierarchy.

Quick Tip to Solve: Keep organisational barriers tied to the workplace system: policy, procedures, hierarchy and levels. Explain the specific way each one obstructs the flow of information.

OR

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

- (i) Preliminary screening
- (ii) Selection tests
- (iii) Job offer

[6 marks]

Solution:

Concept:

- Selection is the process of choosing the most suitable candidate from the applicants for a job. Each stage gathers evidence about suitability and eliminates candidates who do not meet the requirements.
- Preliminary screening, selection tests and job offer perform different roles: initial shortlisting, assessment of abilities and formal communication of the offer respectively.

Step 1: Explain preliminary screening Initial scrutiny: Preliminary screening helps the manager eliminate unqualified or unfit job seekers by examining the information supplied in application forms.

Applicants whose qualifications, experience or other relevant particulars do not satisfy the basic requirements are screened out at this stage.

Shortlisting for further assessment: A preliminary interview may also be used to assess whether the applicant is suitable for further consideration. This avoids spending time and resources on a detailed examination of clearly unsuitable applicants. Passing this stage only permits a candidate to proceed; it does not amount to final selection.

Step 2: Explain selection tests **Assessment of candidate characteristics:** Selection tests are mechanisms, such as paper-and-pencil tests or practical exercises, used to measure relevant characteristics of individuals. They can assess intelligence, aptitude, personality, existing trade proficiency and interests, depending on the requirements of the job.

Matching ability with the job: For example, an aptitude test assesses a person's potential to learn a skill, whereas a trade test measures an existing skill or level of knowledge. The results provide more systematic evidence of suitability than the application alone. Appropriate tests help the employer compare applicants and decide who should move ahead in the selection process.

Step 3: Explain the job offer **Formal offer to the selected candidate:** After a candidate has successfully passed the preceding stages of selection, the organisation makes a job offer through a letter of appointment. The letter communicates that the organisation wishes to appoint the candidate and specifies the date by which the appointee must report for duty.

Allowing a reasonable joining time: The selected person must be given reasonable time to accept the offer and make the arrangements needed to join. Someone already employed may have to serve a notice period or obtain release from the present employer. Thus, the job offer follows successful assessment; it is not an invitation to all applicants to take the selection tests.

Step 4: Conclusion Preliminary screening removes applicants who do not meet basic requirements; selection tests measure characteristics relevant to job performance; and the job offer formally invites the successful candidate to join on the specified reporting date.

Quick Tip to Solve: Remember the purpose of each named stage: screening shortlists, tests assess suitability, and the appointment letter offers the job. Do not substitute recruitment or placement for these selection steps.

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 provide guidelines for improving managerial behaviour and the working of an organisation. The principle must be identified from the specific difficulty described in the case.
- Unity of command deals with instructions from one superior, scalar chain deals with the formal line of authority and communication, and esprit de corps deals with team spirit and harmony.

Step 1: Identify and explain unity of command **Evidence from the case:** The Production Manager instructs workers to "speed up the work", whereas the Sales Manager instructs the same production workers to "slow down the production". The same workers therefore receive conflicting instructions from two superiors.

Meaning and application: Under **unity of command**, each employee should receive orders from, and be accountable to, only one superior. Dual command creates confusion, undermines authority and makes it difficult to fix responsibility. Marut Enterprises should ensure that production workers receive orders through their designated superior. The managers should resolve differences between themselves through the appropriate channels so that workers get one clear direction instead of contradictory commands.

Step 2: Identify and explain scalar chain **Evidence from the case:** There is "a lack of proper communication among different levels of superiors and subordinates", and "Even in case of emergencies, a worker is not in a position to contact the Chief Executive Officer directly". These lines point to the need for an effective chain of authority and a permitted emergency route.

Meaning and application: **Scalar chain** is the formal line of authority and communication running from the highest to the lowest ranks. Normal official communication should follow this chain so that authority and accountability remain clear. In an emergency, however, rigidly following every level can cause harmful delay. Fayol permits a **gang plank**, a shorter direct communication route between the concerned officials, with the prescribed superiors kept informed. The company should establish this permitted emergency arrangement rather than allow its hierarchy to prevent urgent communication.

Step 3: Identify and explain esprit de corps **Evidence from the case:** The management wants to "promote team spirit of unity and harmony among the employees". This directly identifies **esprit de**

corps.

Meaning and application: Esprit de corps means that management should promote team spirit, unity and harmony among employees. A manager should replace “I” with “We” in dealing with workers, emphasising collective effort and shared success. Marut Enterprises should encourage cooperation across departments and mutual trust among employees, rather than division or internal rivalry. A united workforce is more willing to work together towards organisational objectives, improving morale and helping overcome the decline in productivity described in the case.

Step 4: Conclusion The three principles are **unity of command** to remove conflicting instructions, **scalar chain with a gang plank for emergencies** to improve communication, and **esprit de corps** to promote unity and harmony. Each addresses a distinct difficulty stated in the case.

Quick Tip to Solve: Link each clue to its exact principle: two bosses giving orders means unity of command; the hierarchy and emergency shortcut mean scalar chain; team spirit means esprit de corps.