CBSE Class 12 Business Studies Question Paper 2025 with Solution PDF-Set 66/7/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. Selection test is a mechanism that attempts to measure certain characteristics of individuals ranging from aptitudes, to intelligence, to personality. It is one of the steps in the process of selection. Place the subsequent steps of process of selection in an organisation in the correct order. [1 mark]

(A) Employment interview, reference and background checks, selection decision, medical examination, job offer, contract of employment

(B) Employment interview, reference and background checks, medical examination, selection decision, job offer, contract of employment

(C) Employment interview, medical examination, job offer, reference and background checks, selection decision, contract of employment

(D) Employment interview, selection decision, reference and background checks, job offer, medical examination, contract of employment

Correct Answer: (A) Employment interview, reference and background checks, selection decision, medical examination, job offer, contract of employment

Solution:

Concept:

- Selection identifies the most suitable candidate through a sequence of screening and evaluation stages.
- After selection tests, an interview and verification of references precede the selection decision; fitness is then checked before an offer is made.

Step 1: Trace the stages after the tests An employment interview gives the employer and candidate an opportunity to discuss suitability. Reference and background checks then verify the information supplied. The selection decision follows these assessments and normally involves the manager responsible for the new employee.

Step 2: Complete the appointment sequence After selection, the candidate undergoes medical examination to establish fitness for the job. A job offer is then made and, on acceptance, the contract of employment records the terms. Option B reverses medical examination and the selection decision; C makes the offer before reference checks and selection, while D places reference checks after the decision and fitness after the offer.

Step 3: Conclusion The correct sequence is employment interview, reference and background checks, selection decision, medical examination, job offer and contract of employment. Hence, the correct option is (A).

Quick Tip to Solve: Remember the sequence as interview, verify, decide, check fitness, offer and contract; distinguish selection decision from the later job offer.

2. Identify the *incorrect* statement with respect to 'importance of consumer protection' from the business point of view. [1 mark]

(A) Enlightened businesses realise that it is in their long-term interest to satisfy their customers.

(B) It is the moral duty of any business to take care of consumer's interest and avoid any form of their exploitation.

(C) Due to widespread ignorance of consumers about their rights and reliefs available to them, it becomes necessary to educate them about the same, so as to achieve consumer awareness.

(D) A business engaging in any form of exploitative trade practices would invite government intervention which can tarnish the image of the company.

Correct Answer: (C) Due to widespread ignorance of consumers about their rights and reliefs available to them, it becomes necessary to educate them about the same, so as to achieve consumer awareness.

Solution:

Concept:

- Consumer protection benefits business through long-term customer satisfaction, moral responsibility and avoidance of government intervention.
- Consumer ignorance explains the need for protection from the consumers' point of view; identify which perspective the question specifies.

Step 1: Identify the perspective in the question The question asks for the incorrect statement specifically from the business point of view. Option C refers to widespread ignorance of consumers about their rights and available reliefs. Educating consumers addresses this ignorance and is a reason for protection from the consumers' perspective.

Step 2: Check the other three statements Option A correctly links customer satisfaction with the long-term interest of business. Option B states its moral responsibility to avoid exploitation. Option D correctly warns that exploitative practices invite government intervention and harm the company's image. All three are recognised business reasons for consumer protection, unlike the consumer-side reason in C.

Step 3: Conclusion Consumer ignorance is the reason that belongs to the consumers' point of view rather than the business point of view. Hence, the correct option is (C).

Quick Tip to Solve: For perspective-based questions, separate consumer ignorance and exploitation from business reasons such as reputation, long-term interest and moral duty.

3. 'An institution constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealing in existing securities' is known as : [1 mark]

(A) Securities and Exchange Board of India (SEBI)

(B) Stock Exchange

(C) Capital Market

(D) Money Market

Correct Answer: (B) Stock Exchange

Solution:

Concept:

- A stock exchange is an institution that assists, regulates or controls dealings in existing securities.
- The secondary market enables investors to buy and sell securities already issued, providing liquidity and marketability.

Step 1: Match the defining words The decisive words are *institution* and *existing securities*. They describe the stock exchange, which provides an organised framework for trading securities that investors already hold. This differs from the primary market, where new securities are issued.

Step 2: Eliminate the broader markets and regulator SEBI is the regulatory authority for the securities market, rather than the trading institution defined here. The capital market is the broader market for medium- and long-term funds and includes both primary and secondary markets. The money market deals in short-term funds and instruments. Thus, none of A, C or D names the specific institution described.

Step 3: Conclusion The institution described is a Stock Exchange. Hence, the correct option is (B).

Quick Tip to Solve: Link *existing securities* to the secondary market and its organised trading institution, the stock exchange; link *new securities* to the primary market.

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

Assertion (A) : Increased life expectancy of people and increased awareness for health care have increased the demand for many health products and services.

Reason (R) : Different elements of business environment are not inter-related.

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

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

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

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

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

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

Solution:

Concept:

- The business environment includes social, economic, technological, political and legal elements.
- These elements are interrelated: a change in one can influence another and change business opportunities.

Step 1: Evaluate the assertion Assertion A is true. Increased life expectancy and greater health awareness increase the need and demand for health-related products and services. These demographic and social changes therefore influence the market for such offerings.

Step 2: Evaluate the reason Reason R is false because it says that different environmental elements are not interrelated. Interrelatedness is a recognised feature of the business environment. For example, health awareness can influence consumer spending and demand, illustrating a connection between social and economic conditions.

Step 3: Select the assertion-reason combination Since A is true and R is false, C is the matching combination. Options A and B both require a true reason and are therefore ruled out. D incorrectly treats the assertion as false and the reason as true. A false reason cannot explain the true assertion.

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

Quick Tip to Solve: Check each statement separately before testing explanation; the word *not* makes this reason contradict the feature of environmental interrelatedness.

5. If any of the parties are not satisfied by the order of the District Commission, they can appeal against such order to the State Commission on the grounds of facts or law within a period of _____ from the date of order. [1 mark]

(A) 45 days

(B) 30 days

(C) 60 days

(D) 15 days

Correct Answer: (A) 45 days

Solution:

Concept:

- Consumer redressal machinery provides an appeal route from the District Commission to the State Commission.
- The prescribed time period for an appeal against the District Commission's order on grounds of facts or law is 45 days from the date of that order.

Step 1: Identify the order and appeal forum The order in the question is passed by the District Commission, and the dissatisfied party wishes to approach the State Commission. The relevant appeal period must therefore be the one for this specific District-to-State route, rather than a period associated with another forum or procedure.

Step 2: Match the prescribed period to an option For this appeal, the stated period is 45 days from the date of the order. This is option A. The periods of 30 days, 60 days and 15 days in options B, C and D do not give the prescribed period for the appeal described, so each is excluded.

Step 3: Conclusion The dissatisfied party can appeal to the State Commission within 45 days from the date of the District Commission's order. Hence, the correct option is (A).

Quick Tip to Solve: Always pair an appeal period with its starting commission and destination; here District Commission to State Commission corresponds to 45 days.

6. Identify the *incorrect* statement with respect to financial leverage. [1 mark]

(A) The proportion of debt in the overall capital is called financial leverage.

(B) With the increase in financial leverage, the financial risk increases.

(C) The proportion of equity in the overall capital is called financial leverage.

(D) As the financial leverage increases, the cost of funds declines.

Correct Answer: (C) The proportion of equity in the overall capital is called financial leverage.

Solution:

Concept:

- Financial leverage refers to the proportion of debt in the overall capital of a business.
- Debt involves fixed financial charges and increases financial risk; its cost is generally lower than equity because lenders face less risk and interest is tax-deductible.

Step 1: Apply the definition of leverage Option A correctly defines financial leverage by the use of debt in overall capital. Option C instead calls it the proportion of equity. Equity is owners' funds, so describing its proportion as financial leverage reverses the definition. C is therefore the incorrect statement sought.

Step 2: Verify the remaining statements Option B is correct because more debt increases compulsory interest commitments and hence the risk of failing to meet financial obligations. Option D reflects the textbook advantage of using relatively cheaper debt: increasing its share can lower the cost of funds. This cost advantage does not remove the simultaneous increase in financial risk, and it does not make equity the measure of leverage.

Step 3: Conclusion The statement that the proportion of equity in overall capital is financial leverage is incorrect. Hence, the correct option is (C).

Quick Tip to Solve: Connect leverage with debt and fixed interest commitments; a question asking for the incorrect statement often substitutes equity for debt.

7. Rajni, the Chief Executive Officer of a multinational company, maintained a simple and elegant look. Now she wanted a change, so she decided to colour her hair in a vibrant colour. After reading the label carefully, she purchased a well-known hair colour of good quality. Before applying the colour, she read the instructions carefully.

However, while applying the colour on her hair, she forgot the instructions and without testing it on a patch of her skin, she applied the colour. This led to an allergic reaction with redness and itching on her scalp, ears and neck.

Identify the responsibility that was ignored by Rajni as a consumer while using the hair colour.

[1 mark]

(A) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.

(B) Learn about the risks associated with products and services, follow manufacturer's instructions and use the product safely.

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

(D) Ask for a cash-memo on purchase of goods or services.

Correct Answer: (B) Learn about the risks associated with products and services, follow manufacturer's instructions and use the product safely.

Solution:

Concept:

- Consumers should learn about product risks, follow the manufacturer's instructions and use products safely.
- Reading instructions is only the first step; carrying out safety directions is essential when using the product.

Step 1: Identify the ignored instruction Rajni read the label and instructions but applied the hair

colour *without testing it on a patch of her skin*. This links the allergic reaction to her failure to follow the safe-use directions, rather than to a lack of information about available brands.

Step 2: Relate the case to the options Option B directly covers learning the risks, following instructions and using the product safely. A concerns making an informed choice among goods, whereas Rajni had already selected a well-known product after reading its label. C concerns asserting oneself for a fair deal and D concerns obtaining proof of purchase. Neither addresses the omitted patch test, so B is the responsibility ignored.

Step 3: Conclusion Rajni ignored the responsibility to learn product risks, follow the manufacturer's instructions and use the product safely. Hence, the correct option is (B).

Quick Tip to Solve: In a safety case, locate the action the consumer failed to perform; buying a good brand or reading a label does not replace following the use instructions.

8. Which of the following factors affect the fixed capital requirements of a company ?

1. Financing alternatives

2. Level of collaboration

3. Production cycle

4. Choice of technique

5. Seasonal factors

6. Level of competition

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

(A) 2, 3 and 6

(B) 3, 4 and 5

(C) 3, 4 and 6

(D) 1, 2 and 4

Correct Answer: (D) 1, 2 and 4

Solution:

Concept:

- Fixed capital is the investment required in long-term assets such as land, buildings, plant and machinery.
- Financing alternatives, collaboration and the choice between labour-intensive and capital-intensive techniques influence the amount invested in fixed assets.

Step 1: Identify the fixed-capital factors Financing alternatives (1), such as leasing rather than purchasing an asset, reduce the initial fixed-capital investment. Collaboration (2) allows organisations to share facilities and lowers the fixed assets each must acquire. Choice of technique (4) affects investment because a capital-intensive technique needs more machinery than a labour-intensive technique.

Step 2: Eliminate the other combinations Production cycle (3), seasonal factors (5) and level of competition (6) are factors considered in estimating working capital: funds tied up in production,

seasonal inventories, and stocks or credit offered to customers. Options (A), (B) and (C) include these working-capital factors, whereas (D) contains exactly the fixed-capital factors.

Step 3: Conclusion The correct combination is 1, 2 and 4: financing alternatives, level of collaboration and choice of technique. Hence, the correct option is (D).

Quick Tip to Solve: For fixed capital, look for decisions about acquiring, leasing or sharing long-term assets; inventory and credit needs point to working capital.

9. Read the following statements carefully :

Statement I : Training is the process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.

Statement II : Training is a job-oriented process.

In the light of the above statements, choose the correct alternative from the options given below :

[1 mark]

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

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

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

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

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

Solution:

Concept:

- Training increases employees' knowledge, aptitudes, skills and abilities for performing a particular job.
- Training is job-oriented, while development has a wider focus on an employee's overall growth and future responsibilities.

Step 1: Evaluate Statement I Statement I is true. Training deliberately improves the aptitudes, skills and abilities that employees need to carry out specific jobs effectively. For instance, instruction in operating a particular machine improves performance of the assigned task.

Step 2: Evaluate Statement II and the options Statement II is also true: training is job-oriented because it addresses the requirements of a particular job. It should not be confused with development, which emphasises broader personal growth. Options (A) and (B) each incorrectly reject one true statement, and (D) incorrectly rejects both. Therefore, only the option accepting both statements fits.

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

Quick Tip to Solve: Link training with the present, specific job; link development with broader growth and future responsibilities.

10. Which of the following is *not* a protective function of Securities and Exchange Board of India ?

[1 mark]

(A) Controlling insider trading and imposing penalties for such practices

(B) Training of intermediaries of securities market

(C) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulation, etc.

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

Correct Answer: (B) Training of intermediaries of securities market

Solution:

Concept:

- SEBI's protective functions safeguard investors against malpractices and promote fair conduct in the securities market.
- SEBI's developmental functions improve the market and its participants, including training intermediaries.

Step 1: Separate protection from development Training intermediaries strengthens their knowledge, competence and professional performance. It is a developmental function of SEBI, so it is the activity that is not a protective function.

Step 2: Check the remaining alternatives Controlling insider trading and imposing penalties in (A) protects investors from unfair information advantages. Prohibiting fraudulent practices and manipulation in (C) protects them from deception. Promoting fair practices and a code of conduct in (D) also safeguards investors. Thus all three are protective functions, leaving only (B).

Step 3: Conclusion Training of intermediaries of the securities market is a developmental function, not a protective function. Hence, the correct option is (B).

Quick Tip to Solve: In a SEBI question, training builds market capability; preventing fraud, insider trading and unfair practices protects investors.

11. Shreyansh and Sudhir were close friends and were studying in a reputed engineering college. During campus recruitment in the final year of engineering, both of them got their dream jobs. Shreyansh's consultancy firm was in India and Sudhir's was a manufacturing firm situated out of India. Both looked forward to join their respective organisations after completing their engineering degree.

One month after joining the organisation, Sudhir came to India on an assignment and both friends decided to meet. Shreyansh looked happy and was all praise for the management of his company. He told Sudhir that there was complete orderliness in his organisation and that all employees were happy and satisfied with the work and the working environment. Targets of the organization too were met as per the plans. Sudhir, in contrast was unhappy with his job and was thus on the lookout for another job.

The characteristic of management being highlighted in the above case by Shreyansh is : [1 mark]

(A) Management is a group activity.

(B) Management is a dynamic function.

(C) Management is an intangible force.

(D) Management is all pervasive.

Correct Answer: (C) Management is an intangible force.

Solution:

Concept:

- Management is an intangible force: its presence cannot be directly seen, but its effects can be experienced in an organisation.
- Orderliness, satisfied employees and achievement of targets indicate effective management.

Step 1: Identify the evidence in the case Shreyansh describes "complete orderliness, employees who were "happy and satisfied, and targets that "were met as per the plans. These observable results allow him to experience the effectiveness of management even though management itself is not a visible physical object.

Step 2: Distinguish the other characteristics Group activity in (A) concerns collective effort toward common goals. A dynamic function in (B) means adapting to environmental changes. All-pervasiveness in (D) means management is needed in different kinds of organisations and at different levels. Although the case mentions different firms and countries, the specific evidence highlighted by Shreyansh is the felt effect of good management, which establishes its intangible nature.

Step 3: Conclusion The characteristic highlighted by Shreyansh is that management is an intangible force. Hence, the correct option is (C).

Quick Tip to Solve: When a case identifies management through orderliness, employee satisfaction and achieved targets, choose its intangible nature.

12. Read the following statements carefully :

Statement I : Any deviation, whether significant or insignificant, should be brought to the notice of the management.

Statement II : Control should focus on those Key Result Areas which are critical to the success of an organisation.

In the light of the above statements, choose the correct alternative from the options given below :

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

Solution:

Concept:

- Management by exception directs managerial attention to significant deviations rather than every minor departure from standards.
- Critical point control concentrates on Key Result Areas that are crucial to organisational success.

Step 1: Test Statement I using management by exception Statement I is false. Bringing every deviation, including insignificant ones, to management wastes time and attention. Under management by exception, deviations beyond acceptable limits are brought to management for corrective action; routine minor variations need not all be escalated.

Step 2: Test Statement II and select the combination Statement II is true because critical point control focuses control effort on Key Result Areas that determine success. Management cannot control every activity with equal intensity. The correct truth pattern is therefore false for Statement I and true for Statement II. Option (A) reverses this pattern, (C) wrongly rejects Statement II, and (D) wrongly accepts Statement I.

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

Quick Tip to Solve: Remember the pair: management by exception selects significant deviations; critical point control selects crucial result areas.

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

Assertion (A) : The cost of debt is lower than the cost of equity for a firm.

Reason (R) : Lender's risk is lower than the shareholder's risk. Additionally, interest paid on debt is a deductible expense for computation of tax liability, whereas dividends are paid out of after tax profit.

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:

- Debt generally costs a firm less than equity because lenders bear less risk than equity shareholders.
- Interest on debt is deductible when calculating taxable profit, while equity dividends are paid from profit after tax.

Step 1: Evaluate the assertion Assertion (A) is true. Debt normally requires a lower return than equity, and the tax deduction on interest further reduces the effective cost of debt to the firm.

Step 2: Evaluate the reason Reason (R) is true. Lenders have priority over equity shareholders in receiving payments and in claims on assets, so their risk is lower. Shareholders bear residual risk and therefore expect a higher return. In addition, interest reduces taxable profit, whereas dividends do not provide the same tax deduction.

Step 3: Check the explanatory link The lower risk explains the lower return demanded by lenders, and the interest tax benefit explains the further reduction in the firm's effective borrowing cost. The reason therefore directly explains the assertion. Option (B) wrongly denies that link, (C) wrongly calls the reason false, and (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 the debt-versus-equity comparison, check both lender risk and the tax deductibility of interest before choosing the assertion-reason code.

14. 'Apex Shoes', a popular footwear brand had grown rapidly over the years. It decided to open its own retail outlets across major cities. To ensure smooth operations, the retail outlets were managed by store managers who were responsible for day-to-day operations like inventory management, customer service and sales targets etc. However, for key decisions such as offering discounts or processing refunds etc., managers had to seek approval from corporate headquarters.

Quite often, customers would ask for a discount or want to return the shoes and get a refund. The store managers did not have the authority to approve this. They had to call the head office for approval, which caused a delay. These delays affected both customer satisfaction and footwear sales.

Realizing the need for faster decisions, the Chief Executive Officer of the company, Atul, decided to selectively disperse the authority to the store managers to approve discounts, returns and other customer-related decisions. He believed that store managers could assume responsibility for effective implementation of their decisions. This led to faster service, satisfied customers and an increase in sales.

The concept used by Atul to improve customer satisfaction and store performance was : [1 mark]

(A) Responsibility

(B) Authority

(C) Delegation

(D) Decentralisation

Correct Answer: (D) Decentralisation

Solution:

Concept:

- Decentralisation is the systematic dispersal of decision-making authority to lower levels, except for authority reserved for the centre.
- It enables managers closer to customers and operations to take timely decisions and accept responsibility for implementing them.

Step 1: Identify the change made by Atul Atul decided to "selectively disperse the authority to the store managers so they could approve discounts, returns and other customer-related decisions. Earlier, these matters required head-office approval. Dispersing these decisions across the retail outlets is decentralisation and explains the faster service and improved customer satisfaction.

Step 2: Distinguish the competing concepts Responsibility in (A) is the obligation to perform assigned work, and authority in (B) is the right to make decisions; neither alone names the organisational policy described. Delegation in (C) is the transfer of authority from a superior to a subordinate and is necessary for decentralisation. Here the deliberate dispersal of decision-making across store managers makes decentralisation the most specific answer.

Step 3: Conclusion The concept used by Atul was decentralisation. Hence, the correct option is (D).

Quick Tip to Solve: Look for authority dispersed systematically across branches or lower management levels; this indicates decentralisation rather than a single act of delegation.

15. The Go-Vegan Movement has been an integral part of western nations owing to its numerous health and environmental benefits. India too has witnessed a propelling vegan food market. Concerned with the quality of life, people have shifted to a variety of plant-based food alternatives that offer great taste and health benefits and strengthen the immune system.

The dimension of business environment discussed above is : [1 mark]

(A) Economic environment

(B) Social environment

(C) Technological environment

(D) Political environment

Correct Answer: (B) Social environment

Solution:

Concept:

- The social environment includes social values, lifestyles, attitudes, traditions and changes in consumer preferences.
- A change in health consciousness and concern for quality of life changes the goods consumers want to buy.

Step 1: Identify the change in society The case says people are 'Concerned with the quality of life' and have shifted towards plant-based alternatives. These are changes in lifestyle, health consciousness and preferences; they create demand for vegan food.

Step 2: Distinguish the other dimensions Economic environment concerns income, interest rates and other economic conditions. Technological environment concerns production methods and innovations. Political environment concerns government stability and political attitudes. None describes the lifestyle shift stressed in this case.

Step 3: Conclusion The movement reflects the social environment. Hence, the correct option is (B).

Quick Tip to Solve: Link changes in eating habits, health consciousness and lifestyles to the social dimension.

16. Match the statements given in Column I with the external source of recruitment given in Column II.

Column I	Column II
1. Many reputed business organisations keep a database of unsolicited applicants in their offices. A list of such job-seekers can be prepared and can be screened to fill the vacancies as they arise.	(i) Recommendation of employees
2. A notice is placed on the notice board of the enterprise specifying details of the jobs available. Job-seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot.	(ii) Campus recruitment
3. Many big organisations maintain a close liaison with the universities, vocational schools and management institutes to recruit qualified personnel for various jobs.	(iii) Direct recruitment
4. Applicants introduced by present employees or their friends and relatives.	(iv) Casual callers

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

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

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

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

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

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

Solution:

Concept:

- External recruitment seeks suitable candidates from outside the organisation through identifiable channels.
- Casual callers, direct recruitment, campus recruitment and employee recommendations differ by how applicants first reach the employer.

Step 1: Match each description to its source **1–(iv), Casual callers:** Unsolicited applicants leave details that the employer retains in a database for future vacancies. **2–(iii), Direct recruitment:** A notice attracts job-seekers to the premises and selection occurs on the spot.

Step 2: Complete and check the matching **3–(ii), Campus recruitment:** Liaison with universities, vocational schools and management institutes supplies qualified personnel. **4–(i), Recommendation of employees:** Existing employees or their friends and relatives introduce applicants. Options (A), (B) and (D) each mismatch at least the unsolicited-applicant description, which is casual callers, not direct or campus recruitment.

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

Quick Tip to Solve: Use the recruitment channel as the clue: unsolicited database, factory gate, campus or employee contact.

17. Which of the following factors affects the financing decision of a company ? [1 mark]

(A) Nature of business

(B) Scale of operations

(C) Fixed operating costs

(D) Technology upgradation

Correct Answer: (C) Fixed operating costs

Solution:

Concept:

- A financing decision determines the proportion of debt and equity used to raise funds.
- Fixed operating costs affect the ability to bear additional fixed financial commitments such as interest on debt.

Step 1: Connect operating costs with financing risk When fixed operating costs are high, a company must meet substantial expenses even if sales decline. It should generally use less debt so that interest commitments do not add excessive financial risk. If fixed operating costs are low, it has greater capacity to bear debt obligations.

Step 2: Rule out the other factors Nature of business and scale of operations primarily determine the amount of capital required, including fixed capital requirements. Technology upgradation also affects investment in fixed assets. The factor specifically connected with choosing between debt and equity here is fixed operating costs.

Step 3: Conclusion Fixed operating costs affect the financing decision. Hence, the correct option is (C).

Quick Tip to Solve: For debt versus equity questions, ask whether the firm can safely meet an additional fixed interest commitment.

18. Radhika purchased an attractive new toaster for her house. In the beginning it worked fine and she enjoyed using it every morning. However, one morning as she was using the toaster, it caught fire and her fingers got partially burnt.

Identify the 'Right' under which she can be protected. [1 mark]

(A) Right to be informed

(B) Right to be assured

(C) Right to safety

(D) Right to consumer education

Correct Answer: (C) Right to safety

Solution:

Concept:

- The right to safety protects consumers against goods and services hazardous to life and health.
- The relevant consumer right is identified from the nature of the harm or protection described in

the case.

Step 1: Identify the hazard The toaster 'caught fire' and Radhika's fingers were 'partially burnt'. The product therefore endangered her health and physical safety while she was using it.

Step 2: Select the right that addresses this harm The right to safety addresses hazardous products such as this toaster. The right to be informed concerns product information, the right to be assured concerns access to a variety of products at competitive prices, and the right to consumer education concerns knowledge and awareness. These do not directly describe the fire and injury in the case.

Step 3: Conclusion Radhika can be protected under the right to safety. Hence, the correct option is (C).

Quick Tip to Solve: When a product causes burns, injury or another danger to health, identify the right to safety.

19. Identify the marketing function displayed in the picture given below : [1 mark]



(A) Product designing and development

(B) Branding

(C) Marketing planning

(D) Packaging and labelling

Correct Answer: (D) Packaging and labelling

Solution:

Concept:

- Packaging creates the container or wrapper for a product; labelling places identifying and descriptive information on it.
- A label describes the product, including information such as its ingredients, nutritional content and usage particulars.

Step 1: Read the visual evidence The photograph shows a food container with a 'Nutrition Facts'

panel, ingredient information and a barcode. The consumer is examining information printed on the container. This is the descriptive role of labelling, associated with packaging.

Step 2: Compare the alternatives Product designing and development concerns creating or improving the product itself. Branding gives a product a distinctive name, sign or identity. Marketing planning determines marketing objectives and programmes. The photograph specifically emphasises the package and its information label, making packaging and labelling the relevant function.

Step 3: Conclusion The picture displays packaging and labelling. Hence, the correct option is (D).

Quick Tip to Solve: A nutrition panel or ingredients list is a labelling clue; a brand name alone would point to branding.

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20. A garment manufacturing firm had set a target of manufacturing 1000 garments per day. The manager of the firm saw that the production consistently fell short of the target. It was observed that employees were spending too much time taking lunch, reporting late and leaving early on one pretext or the other.

A control mechanism was installed to address the issue. Card punching was implemented in the organisation. It was made mandatory for employees to record their entry or exit every time they enter or leave. Their working hours were monitored and irregularities addressed. This helped the organisation to meet its daily production targets.

Identify the point of importance of 'Controlling' highlighted in the above case. [1 mark]

(A) Judging accuracy of standards

(B) Accomplishing organisational goals

(C) Making efficient use of resources

(D) Ensuring order and discipline

Correct Answer: (D) Ensuring order and discipline

Solution:

Concept:

- Controlling compares performance with standards and corrects deviations so activities remain on course.
- Ensuring order and discipline means creating an atmosphere in which employees understand that their actions are monitored and follow expected rules.

Step 1: Identify the behaviour being corrected Employees were 'reporting late and leaving early' and taking excessive lunch breaks. Card punching required them to record every entry and exit; their working hours were monitored and irregularities addressed. The control directly checks attendance and adherence to working-hour rules.

Step 2: Choose the most specific importance Although the firm ultimately meets its production target, the distinctive mechanism described is enforcing disciplined employee behaviour. Judging accuracy of standards would test whether the target itself was realistic. Efficient use of resources is a broader benefit, and accomplishing organisational goals is the ultimate result. Ensuring order and discipline

most directly matches the attendance-monitoring measures.

Step 3: Conclusion The case highlights ensuring order and discipline. Hence, the correct option is (D).

Quick Tip to Solve: When controls monitor lateness, attendance or compliance with rules, choose order and discipline.

21. Amrit Ltd. and Nimrit Ltd. are two companies manufacturing automotive parts for automobile companies. Amrit Ltd. had a capital employed of ₹ 80 lakhs comprising of equity share capital of ₹ 40 lakhs divided into 40,000 shares of ₹ 100 each and debt of ₹ 40 lakhs at 6%. Nimrit Ltd. also had capital employed of ₹ 80 lakhs divided into 80,000 equity shares of ₹ 100 each.

Return on Investment (ROI) of both the companies is 10% and tax rate is 50%.

(a) Calculate Earning Per Share (EPS) for both the companies.

(b) Which of the two companies has better Earning Per Share and why ? [3 marks]

Solution:

Concept:

- Earnings per share (EPS) is the profit available to equity shareholders after interest and tax, divided by the number of equity shares.
- Return on investment is earned on the entire capital employed. Debt carries a fixed interest charge; when ROI exceeds the interest rate, using debt can increase EPS. This is favourable financial leverage, or trading on equity.

Step 1: Calculate operating profit for both companies Both companies employ Rs 80,00,000 and earn ROI of 10%. Therefore each company's earnings before interest and tax (EBIT) are Rs 80,00,000 multiplied by 10%, or Rs 8,00,000. Their operating earnings are equal; the difference in EPS will arise from financing and the number of equity shares.

Step 2: Calculate Amrit Ltd.'s EPS Amrit has debt of Rs 40,00,000 at 6%. Annual interest is therefore Rs 2,40,000. Deducting this fixed charge from EBIT of Rs 8,00,000 gives earnings before tax of Rs 5,60,000. Tax at 50% is Rs 2,80,000, leaving earnings after tax of Rs 2,80,000 for its equity shareholders. Divide this profit by its 40,000 equity shares: EPS is Rs 7 per share.

Step 3: Calculate Nimrit Ltd.'s EPS Nimrit is financed entirely by equity, so there is no interest deduction. Its earnings before tax remain Rs 8,00,000. Tax at 50% is Rs 4,00,000, leaving earnings after tax of Rs 4,00,000. Dividing this amount by 80,000 equity shares gives EPS of Rs 5 per share.

Step 4: Explain the advantage of debt financing Amrit earns 10% on capital while paying only 6% on borrowed funds. The excess return after meeting interest benefits the smaller equity base. Thus Amrit has favourable trading on equity: even though its total after-tax profit is lower than Nimrit's, its profit per equity share is higher. EPS depends on both distributable earnings and the number of shares, not profit alone.

Step 5: Conclusion Amrit Ltd.'s EPS is Rs 7 and Nimrit Ltd.'s EPS is Rs 5. Amrit has the better EPS because its ROI of 10% exceeds the debt interest rate of 6%, producing favourable financial leverage.

Quick Tip to Solve: Calculate EBIT on total capital first, subtract interest before tax, and divide the remaining profit by the actual number of equity shares.

22(a). Explain the following features of 'Planning' :

(i) Planning involves decision-making.

(ii) Planning is pervasive. [3 marks]

Solution:

Concept:

- Planning means thinking in advance about what is to be done and how it is to be done, so that organisational objectives can be achieved.
- Two features of planning are decision-making, because a course of action must be selected, and pervasiveness, because planning is required throughout the organisation.

Step 1: Explain planning as decision-making **Planning involves decision-making:** Planning requires identifying alternative courses of action, evaluating them and selecting the most suitable one for achieving an objective. The manager compares the expected benefits, costs and feasibility of the available alternatives before choosing. For example, an organisation planning to increase sales may choose between opening new outlets and selling online. If only one possible course exists, there is no choice to make; the need to select among alternatives makes decision-making integral to planning.

Step 2: Explain planning as a pervasive activity **Planning is pervasive:** Planning is required at every level of management and in every department. Top management plans for the organisation as a whole, middle management prepares departmental plans, and lower management plans day-to-day operations. Production, marketing, finance and personnel departments all require plans to carry out their work. However, the scope and nature of planning differ with the level: senior managers consider wider, longer-term issues, while operational managers plan specific activities within those broader plans.

Step 3: Conclusion Planning involves decision-making because it selects the best course from alternatives. It is pervasive because all management levels and departments must plan, although their plans differ in scope and detail.

Quick Tip to Solve: Link decision-making with choosing among alternatives, and pervasiveness with both all levels and all departments of the organisation.

OR

22(b). Explain the following types of plans :

(i) Method

(ii) Budget [3 marks]

Solution:

Concept:

- Plans specify how an organisation intends to achieve its objectives. Different types of plans serve different purposes, such as prescribing a way of doing a task or expressing expected results numerically.

- A method is a prescribed way of performing a particular task. A budget is a statement of expected results expressed in numerical terms.

Step 1: Explain a method **Method:** A method provides the prescribed manner or way in which a task is to be performed. It specifies the details of carrying out a particular activity, helping employees use a standard approach and avoid confusion. The method selected depends on the nature of the work. For example, an organisation may choose on-the-job training to teach employees while they perform their duties. A method focuses on how one activity is done; a procedure, by contrast, specifies the sequence of several activities needed to complete a broader task.

Step 2: Explain a budget **Budget:** A budget is a statement of expected results expressed in numerical terms, such as money, units of output or hours of work. It quantifies a plan for a specified period and provides a basis for comparing actual performance with planned performance. For example, a sales budget may state the expected number of units to be sold and the sales revenue for the next year. Preparing it requires forecasting and allocating resources in advance. It is therefore a planning instrument and also helps control by revealing deviations from the expected results.

Step 3: Conclusion A method prescribes how a particular task should be performed, whereas a budget expresses expected results in numerical terms for a stated period. Both make organisational plans more specific and actionable.

Quick Tip to Solve: Remember method as the way of doing one task and budget as the numerical expression of a plan; a budget need not be expressed only in money.

23(a). State any three points of importance of business environment. [3 marks]

Solution:

Concept:

- Business environment comprises the external forces, institutions and conditions that affect the performance of an enterprise. These forces include economic, social, technological, political and legal factors.
- Understanding the environment helps managers recognise relevant changes early and adjust business decisions. The following are three distinct points of its importance.

Step 1: Identify opportunities and obtain first-mover advantage **Identifying opportunities and getting the first-mover advantage:** Opportunities are favourable external trends or changes that can help a firm improve its performance. Awareness of the environment enables the firm to recognise such opportunities early. It can develop a product or enter a market before competitors and gain an advantage by being the first to respond.

Step 2: Identify threats and obtain early warning signals **Identifying threats and early warning signals:** Threats are unfavourable external changes that may hinder a firm. Environmental understanding alerts management to developments such as new competition or changing customer preferences. Managers can prepare a suitable response in time rather than wait until the threat has

seriously damaged the business.

Step 3: Explain how environmental awareness assists change **Helping in coping with rapid changes:** Markets, technology and consumer expectations change continuously. Understanding these changes enables managers to develop suitable courses of action instead of relying only on past practices. The enterprise can revise its products, methods and plans to remain effective in a changing environment.

Step 4: Conclusion Thus, understanding the business environment helps an enterprise identify opportunities and gain first-mover advantage, identify threats through early warning signals, and cope with rapid changes.

Quick Tip to Solve: For an importance question, state a business benefit and explain how environmental awareness produces it; do not merely list economic, social and other environmental dimensions.

OR

23(b). State any three features of demonetisation. [3 marks]

Solution:

Concept:

- Demonetisation is the withdrawal of the legal-tender status of specified currency notes. In India, the announcement of 8 November 2016 withdrew this status from the existing Rs 500 and Rs 1,000 notes.
- The NCERT discussion presents demonetisation as a tax-administration measure, a signal against tax evasion, and a means of moving towards a less-cash economy. These are features of the policy; they need not imply that every intended outcome was fully achieved.

Step 1: State its tax-administration feature **Tax-administration measure:** Holders of the withdrawn notes were required to deposit or exchange them through the prescribed channels. Cash brought into the banking system could be checked against declared income. Where the holding could not be explained from known sources, the income-tax authorities could investigate it and levy the applicable tax and penalty. This made the measure relevant to detecting previously unaccounted income.

Step 2: Explain its signal against tax evasion **Signal that tax evasion would not be tolerated:** The measure conveyed the government' s intention to act against the accumulation of unaccounted money. By making large cash holdings subject to scrutiny, it sought to discourage people from concealing income and to encourage compliance with tax laws.

Step 3: State its less-cash feature **Creating a less-cash or cash-lite economy:** The withdrawal reduced the immediate availability of cash and encouraged people and businesses to use electronic payments and banking channels. Digital payments leave transaction records, so their use can improve the traceability of financial dealings and support a more formal economy.

Step 4: Conclusion Three features of demonetisation are its role as a tax-administration measure, its signal against tax evasion, and its encouragement of a less-cash economy through electronic payments.

Quick Tip to Solve: Organise the answer around taxation, the warning against evasion, and digital payments. Describe policy features without claiming that all black money was eliminated.

24. 'Capro Ltd.', an IT services firm was perceived as a passive provider focusing on fulfilling clients' orders without much innovation. In an attempt to change its image, the Chief Technical Officer of 'Capro Ltd.' called a meeting of technical heads in the conference room. The meeting was important as it was regarding launching programmes to encourage employees to generate ideas for value addition that their clients would appreciate and would help in changing the company's image.

Shrinivas, a technical head was last to enter the conference room for the meeting and got a seat near the door of the conference room. As there was constant movement near the conference room, he could not attentively focus on the meeting, missing out on important points discussed in the meeting.

(a) Identify and state the elements in the communication process that led to Shrinivas missing out on important points discussed in the meeting.

(b) State any two other elements of the communication process other than the one identified in (a) above. [3 marks]

Solution:

Concept:

- Communication is the process of exchanging information and understanding between people. Its elements include the sender, message, encoding, media, decoding, receiver, feedback and noise.
- Noise means an obstruction or hindrance that interferes with communication. It can distract the receiver even when the sender has conveyed the message correctly.

Step 1: Identify and state the interfering element in part (a) **Noise:** The element is noise, meaning an obstruction or hindrance to the communication process. The case states that there was "constant movement near the conference room", so Shrinivas "could not attentively focus on the meeting". The movement near his seat distracted him and interfered with his reception of the message. Noise here is the disturbance to attention; it need not be restricted to a loud sound.

Step 2: State the sender as one other element for part (b) **Sender:** The sender is the person who conveys thoughts or information to the receiver. In this meeting, the Chief Technical Officer communicating the proposed programmes acts as the sender. The sender initiates communication by deciding what idea is to be conveyed and putting it into a form that others can understand.

Step 3: State the message as the second other element for part (b) **Message:** The message is the content of the ideas, feelings, suggestions or information intended to be communicated. Here it concerns launching programmes to encourage employees to generate ideas for value addition that clients would appreciate. The message is the information being conveyed; the movement near the room is the interference with receiving that information.

Step 4: Conclusion (a) The interfering element is noise: a hindrance that prevented Shrinivas from receiving the meeting's important points attentively. (b) Two other elements are the sender, who conveys information, and the message, which is the content conveyed.

Quick Tip to Solve: When a case describes distraction or interference, identify noise. Then name two separate communication elements and define each, rather than giving two more examples of the same disturbance.

25. 'Silver Mills' started their business as a B2B supplier of high quality millet seeds. The firm was set up in a backward area of Ransdhan. The firm was earning just enough revenues to cover its cost. Over a period of time, due to rising awareness amongst people about the health benefits of millets and with the year 2023 declared as 'International Year of Millets', the demand for millets increased and the firm was able to earn profits. This gave a vital incentive to the firm to continue its successful operations. It then expanded its operations and introduced millet flour, millet-based snacks and millet-based beverages. With increase in its operations, it provided employment opportunities specially to women, involving them in dehusking, cleaning and packing of millets.

State the objectives of management highlighted in the above case. [4 marks]

Solution:

Concept:

- Management pursues organisational objectives, including survival, profit and growth, while using resources in the interests of the organisation and its stakeholders.
- Social objectives concern benefits to society, such as providing employment, particularly to disadvantaged sections, and contributing to the development of backward areas.

Step 1: State the organisational objectives shown in the case

- **Survival:** An organisation must earn enough revenue to cover its costs so that it can continue to exist. Silver Mills initially earned "just enough revenues to cover its cost". This illustrates its basic survival objective.
- **Profit:** A business must earn a surplus over its costs. Profit provides an incentive for continued operation and helps meet business risks. The firm subsequently "was able to earn profits", giving it a "vital incentive" to continue its successful operations.
- **Growth:** An organisation seeks expansion in its business activities over time. Silver Mills "expanded its operations" by introducing millet flour, millet-based snacks and millet-based beverages. The wider product range and increased operations illustrate growth.

Step 2: State the social objective shown in the case **Social objective:** Management should create benefits for society in addition to achieving business results. Silver Mills was established in a "backward area" and, as its operations increased, it "provided employment opportunities specially to women". Employing women in dehusking, cleaning and packing illustrates the provision of employment to a disadvantaged section and support for the local community.

Step 3: Conclusion The objectives highlighted are **survival, profit and growth** under organisational objectives, and the **social objective** of creating employment, especially for women in a backward area.

Quick Tip to Solve: Match each case clue separately: covering costs means survival, earning a surplus means profit, expansion means growth, and benefits to the community indicate social objectives.

26. 'Reliable Appliances' and 'Modern Appliances' are two reputed companies, both manufacturing refrigerators. They have been in this business for many years, have a good reputation and a large customer base. The companies follow different marketing management philosophies and cater to different kinds of customers.

'Reliable Appliances' focuses on producing large quantities of affordable basic refrigerators that meet the essential needs of customers. It follows a belief that customers will prefer products that are widely available and affordable. The company focuses on mass production to keep costs low. As a result, it attracts budget conscious consumers. On the other hand, 'Modern Appliances' operates in the

premium segment of the refrigerator market, attracting affluent buyers. It focuses on manufacturing refrigerators with advanced features such as Wi-Fi connectivity, built-in touch screen interface and advanced cooling systems, etc. It believes that customers will prefer products that offer superior quality with innovative features. For this, the company continuously improves its products' features and quality to differentiate itself from its competitors.

(a) Identify the 'Marketing Management Philosophies' of 'Reliable Appliances' and 'Modern Appliances'.

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

(i) Main focus

(ii) Means

(iii) Ends [4 marks]

Solution:

Concept:

- The production concept assumes that consumers prefer products that are widely available and affordable. It therefore emphasises large-scale production and distribution at low cost.
- The product concept assumes that consumers prefer products offering superior quality, performance and innovative features. It therefore emphasises continuous product improvement.

Step 1: Identify each company's philosophy from its emphasis **(a) Reliable Appliances follows the production concept.** It believes that customers prefer refrigerators that are "widely available and affordable", and uses "mass production to keep costs low". Its emphasis is on producing a large quantity of basic refrigerators at an affordable price.

Modern Appliances follows the product concept. It believes that customers prefer "superior quality with innovative features". Wi-Fi connectivity, a built-in touch screen and advanced cooling systems illustrate its focus on features; it "continuously improves" product quality and features.

Step 2: Compare the concepts on the three specified bases **(b) Differences between the production and product concepts:**

Basis	**Production concept: Reliable Appliances**	**Product concept: Modern Appliances**
Main focus	Quantity of the product; large-scale output is emphasised.	Quality, performance and innovative features of the product are emphasised.
Means	Improving production and distribution efficiency to ensure availability and affordability.	Continuous product improvement to provide better quality and features.
Ends	Profits through a high volume of production and sales.	Profits through superior product quality.

Thus, Reliable relies on low-cost volume and widespread availability, while Modern relies on the product's superiority to attract buyers. The relevant distinction is the companies' central business emphasis, rather than merely the income group of their customers.

Step 3: Conclusion Reliable Appliances adopts the **production concept**, and Modern Appliances adopts the **product concept**. They differ in their focus on quantity versus quality, their means of efficiency versus product improvement, and their route to profits through volume versus quality.

Quick Tip to Solve: Associate "widely available and affordable" with production and "superior quality and innovative features" with product; then compare focus, means and ends in that order.

27(a). Explain 'Status' and 'Employee Empowerment' as non-financial incentives. [4 marks]

Solution:

Concept:

- Non-financial incentives motivate employees primarily by satisfying psychological, social and esteem needs rather than by offering a direct monetary payment.
- Status gives recognition and prestige within the organisation; employee empowerment provides greater autonomy and authority to perform work responsibly.

Step 1: Explain status as a source of recognition **Status:** Status means an employee's rank or position in the organisational hierarchy. The authority, responsibility, recognition, rewards and prestige associated with a managerial position indicate its status. For example, a higher designation and the respect attached to it can make an employee feel valued by the organisation.

Status motivates because it satisfies the employee's need for recognition and esteem. When employees see that their contribution earns respect and a valued position, they are encouraged to work with greater commitment. Although a position may also carry financial rewards, its role here is the psychological satisfaction and prestige it provides.

Step 2: Explain employee empowerment as meaningful autonomy **Employee empowerment:** This means giving employees greater autonomy and power to make decisions about their work. Instead of requiring approval for every small action, management enables employees to use their judgement and initiative within their assigned responsibilities.

Empowerment makes employees feel that their skills are being used and that their work matters to organisational success. This develops confidence, a sense of ownership and responsibility for results. For instance, allowing a service employee to resolve routine customer complaints within stated limits can make the employee feel trusted and competent, encouraging better performance.

Step 3: Conclusion Status motivates through rank, recognition and prestige, while employee empowerment motivates through greater autonomy, responsibility and confidence in one's ability to contribute. Both satisfy non-monetary needs and can strengthen commitment to work.

Quick Tip to Solve: Link status with esteem and recognition, and empowerment with decision-making autonomy. Explain both the incentive and how it motivates the employee.

OR

27(b). Explain any two semantic barriers to effective communication. [4 marks]

Solution:

Concept:

- Semantic barriers arise from problems in encoding or decoding a message through words and other symbols. The receiver may interpret a meaning different from the one intended by the sender.
- Badly expressed messages and symbols with different meanings are two semantic barriers. Each obstructs the accurate understanding needed for effective communication.

Step 1: Explain badly expressed messages **Badly expressed messages:** A message becomes a semantic barrier when the sender fails to express the intended meaning clearly. Inadequate vocabulary, incorrect words, omission of necessary words, or poor sentence construction can make an instruction confusing or misleading. A worker may therefore misunderstand what is to be done even though the message has reached the worker.

For example, an instruction to dispatch the goods "soon" leaves the required time unclear when an exact deadline is necessary. The difficulty lies in the wording of the message. The sender should choose suitable words and state the required action clearly so that the receiver can understand the intended instruction.

Step 2: Explain symbols with different meanings **Symbols with different meanings:** A word or symbol can carry more than one meaning. If the sender uses it in one sense but the receiver understands it in another, the communicated meaning is distorted. Thus, sharing a language does not by itself guarantee that both parties attach the same meaning to every expression.

For example, the word "value" may refer to a monetary amount in one message and to usefulness or importance in another. Without sufficient context, a receiver may select the wrong meaning. The sender should make the context clear and check understanding so that both parties interpret the word or symbol in the same sense.

Step 3: Conclusion Two semantic barriers are badly expressed messages, where unclear or unsuitable wording hides the intended meaning, and symbols with different meanings, where sender and receiver interpret the same expression differently. Both prevent a common understanding of the message.

Quick Tip to Solve: For each semantic barrier, name it, explain how meaning is distorted and give a brief example. Keep the focus on words and interpretation.

28(a). State any four features of 'Directing'. [4 marks]

Solution:

Concept:

- Directing is the management function of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- Its features describe how the function operates: it starts action, occurs at every management level, continues throughout organisational life and flows down the hierarchy.

Step 1: State how directing starts work and operates at every level **1. Directing initiates action:** Planning decides what is to be done, while organising and staffing arrange the resources and people. Directing sets these preparations into action by guiding employees to perform their assigned tasks. Thus, actual work begins through the instructions, leadership and motivation provided by managers.

2. Directing takes place at every level of management: Every manager, from the top executive to the supervisor, performs directing wherever a superior-subordinate relationship exists. A senior manager directs departmental heads, and a supervisor guides the workers under the supervisor's charge. It is therefore not restricted to top management.

Step 2: State its continuity and direction of flow **3. Directing is a continuous process:** Managers keep guiding, supervising and motivating employees throughout the life of an organisation. Instructions and support are needed as tasks, people and circumstances change. A change of managers or employees does not end the need for directing.

4. Directing flows from top to bottom: Direction originates with a superior and passes to subordinates through the managerial hierarchy. Each manager directs the people reporting to that manager. Thus, directing moves down the chain of authority, although communication in the organisation can also move upward or sideways.

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

Quick Tip to Solve: Recall the four cues: action, every level, continuous and downward flow. Keep features distinct from the benefits or principles of directing.

OR

28(b). State the relationship between 'Planning' and 'Controlling' functions of management. [4 marks]

Solution:

Concept:

- Planning sets objectives and decides the future course of action. Controlling compares actual performance with the planned standards and ensures corrective action where needed.
- These functions are interdependent: plans provide the basis for control, and control supplies feedback for future plans. Both have forward-looking and backward-looking aspects.

Step 1: Explain why planning and controlling depend on each other **1. Planning provides standards for controlling:** The objectives, targets and standards established through planning become the criteria against which actual performance is assessed. Without plans, managers have no clear basis for deciding whether performance is satisfactory. Thus, controlling is blind without planning.

2. Controlling makes planning meaningful: A plan cannot ensure results merely because it has been prepared. Controlling checks whether activities conform to the plan, identifies deviations and leads to corrective action. Without this follow-up, plans may remain unimplemented; hence, planning

is meaningless without controlling. The two are inseparable twins of management.

Step 2: Explain their forward-looking and backward-looking aspects **3. Both are forward-looking:** Planning looks ahead to decide future objectives and actions. Controlling also looks ahead because corrective action seeks to improve future performance and prevent the recurrence of deviations. Information obtained through control helps managers prepare better plans for the next period.

4. Both are backward-looking: Planning uses past experience and feedback as a guide to future decisions. Controlling examines completed or current performance against standards already set, so it evaluates what has happened. Consequently, it is incomplete to describe planning as only forward-looking and controlling as only backward-looking; each uses past information to improve future results.

Step 3: Conclusion Planning supplies the standards for controlling, while controlling checks their achievement and provides feedback for renewed planning. Both look backward for information and forward toward improved performance.

Quick Tip to Solve: Link the functions as plan, measure, compare, correct and plan again. Explain both time perspectives rather than assigning only one to each function.

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29. 'Heights Engineering College' is one of the top engineering colleges in India known for its excellent academic programmes and strong industry connections. The college has a separate placement cell which maintains a close liaison with the universities, vocational schools and management institutes to recruit qualified persons for various jobs. It works tirelessly to connect students with some of the best companies for job opportunities.

Shikhar, a brilliant Environmental Engineering student was excited when he was chosen by 'Nero', a major car manufacturing company for the post of Production Manager. He received the employment contract which included the terms, conditions and date of joining. Shikhar happily accepted the employment offer. On his first day at the company, Shikhar was given a brief presentation about the company and was introduced to his superiors, subordinates and colleagues. He was taken around the workplace and given charge of the job for which he was selected. Three months later, after settling into the job, Shikhar was called by his superior and given positive feedback about his current performance as per certain pre-determined standards.

State four steps of the staffing process discussed in the above case. [4 marks]

Solution:

Concept:

- Staffing involves obtaining suitable people, putting them in appropriate jobs and assessing their contribution. Recruitment, selection, placement and orientation, and performance appraisal are distinct stages of this process.
- Identify a staffing stage from the action described: attracting candidates differs from choosing a candidate; introducing an employee differs from evaluating the employee's performance.

Step 1: Identify recruitment from the placement-cell activity **Recruitment:** It is the process of

searching for prospective employees and stimulating them to apply for jobs in an organisation. The placement cell maintains a close liaison with educational institutions "to recruit qualified persons for various jobs" and connects students with companies. This makes suitable candidates available to employers; it is not yet the final choice of one person.

Step 2: Identify selection from Shikhar's appointment **Selection:** It is the process of choosing the best person from the pool of prospective candidates for a particular job. Shikhar "was chosen by 'Nero'" for the post of Production Manager. His employment contract, specifying the terms, conditions and joining date, and his acceptance of the offer show that the company has selected him for employment.

Step 3: Identify placement and orientation on the first day **Placement and orientation:** Placement means giving the selected employee charge of the job for which the person has been selected. Orientation introduces the employee to the organisation and to superiors, subordinates and colleagues. Shikhar's presentation about the company, workplace tour and introductions illustrate orientation; being "given charge of the job for which he was selected" illustrates placement. Together these form one staffing stage.

Step 4: Identify performance appraisal from the review **Performance appraisal:** It means evaluating an employee's current or past performance against predetermined standards and providing feedback. After three months, Shikhar receives positive feedback about his current performance "as per certain pre-determined standards". This is an assessment of his work after appointment, rather than recruitment or orientation.

Step 5: Conclusion The four staffing steps discussed are **recruitment, selection, placement and orientation, and performance appraisal**. Each is supported by a separate event in Shikhar's movement from college recruitment to employment and subsequent review.

Quick Tip to Solve: Match the case verbs to the stages: attract candidates, choose a person, introduce and assign the job, then compare performance with standards. Count placement and orientation together as one stage.

30. 'Mefco Ltd.' has been in online grocery e-commerce business for the last six years. Recently, it started facing increasing competition in the market. Understanding that speed of delivery in the key differentiator amongst online business firms, 'Mefco Ltd.' planned to launch 'Mefco Fast', a service designed to deliver the products to the customers within 10 minutes. It studied the market and made assumptions about the future regarding the convenience offered by such a service to the consumers who are increasingly seeking faster delivery options.

(a) Identify the step of the planning process highlighted in the above case.

(b) State the next three steps to be followed by 'Mefco Ltd.' after the step identified in (a) above.

[4 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and how it is to be done. Developing premises establishes assumptions about the future conditions in which a plan will operate.

- In the NCERT sequence, developing premises is followed by identifying alternative courses of action, evaluating alternative courses and selecting an alternative. These stages must precede implementation and follow-up.

Step 1: Identify the step highlighted in the case **(a) Developing premises:** Premises are assumptions about the future that provide the basis for making plans. Mefco "studied the market and made assumptions about the future" concerning the convenience of its service for consumers seeking faster delivery. This is the decisive evidence for developing premises. The proposed ten-minute service gives the direction of the plan, but the highlighted exercise is formulating assumptions about future demand and conditions.

Step 2: Identify alternative courses of action **(b)(i) Identifying alternative courses of action:** After establishing the premises, Mefco should identify the different possible ways of achieving its delivery objective. All feasible alternatives should be considered, including innovative courses of action. For example, it could consider alternative arrangements for order fulfilment and delivery coverage. These are possible actions to evaluate, rather than decisions already stated in the case.

Step 3: Evaluate the alternative courses **(b)(ii) Evaluating alternative courses:** The company should weigh the positive and negative aspects of each possible course in the light of its objective and the premises. It should compare expected benefits, costs, risks and feasibility, including whether an arrangement can reliably support ten-minute deliveries. Evaluation helps management judge how far each alternative can contribute to the desired result with the resources available.

Step 4: Select an alternative **(b)(iii) Selecting an alternative:** Mefco should choose the best feasible course of action after comparing the alternatives. The selected plan should be the one that offers the most suitable combination of benefits and costs and best serves the objective. Sometimes a combination of compatible alternatives may be selected. Implementation and follow-up come later; they are not among the next three steps asked here.

Step 5: Conclusion **(a)** The highlighted step is **developing premises**. **(b)** The next three steps, in order, are **identifying alternative courses of action, evaluating alternative courses, and selecting an alternative**.

Quick Tip to Solve: The words "assumptions about the future" signal premises. Then remember the next three actions in order: list alternatives, compare alternatives, choose the best feasible course.

31(a). Explain the following principles of General Management :

(i) Division of work

(ii) Authority and Responsibility

(iii) Discipline [6 marks]

Solution:

Concept:

- Henri Fayol's principles of general management are broad guidelines for managerial decisions and behaviour. They guide the organisation of work and the relationship between managers and employees.

- Division of work concerns specialisation, authority and responsibility concern the balance between power and obligation, and discipline concerns observance of organisational rules and agreements.

Step 1: Explain division of work **(i) Division of work:** Work should be divided into small tasks, and each task should be assigned to a suitably trained specialist. Repeatedly performing a limited range of activities enables a person to acquire skill, accuracy and experience, improving efficiency and output with the same effort. It also avoids the loss of time involved in repeatedly changing from one kind of work to another. For example, in a manufacturing concern, specialised employees can handle production, accounts and selling instead of each person attempting every activity. Fayol applied this principle to managerial as well as technical work.

Step 2: Explain authority and responsibility **(ii) Authority and responsibility:** Authority is the right to give orders and obtain obedience; responsibility is the obligation to perform an assigned duty properly. The two should go hand in hand and remain balanced. A manager who is made responsible for achieving a target must receive sufficient authority over the resources and decisions needed to meet it. If responsibility exceeds authority, the manager cannot discharge the duty effectively. If authority exceeds responsibility, power may be misused. Thus, a sales manager accountable for a sales target should have appropriate powers to direct the sales team and organise its work within the firm's policies.

Step 3: Explain discipline **(iii) Discipline:** Discipline means obedience to organisational rules and employment agreements necessary for the working of the organisation. It requires managers and workers to honour their commitments. Effective discipline calls for good superiors at all levels, clear and fair agreements, and judicious application of penalties. For example, employees should complete agreed duties on time, while management should provide the wages and facilities it has promised. Discipline therefore involves responsible conduct by both sides and is not merely punishment of workers.

Step 4: Conclusion Division of work improves efficiency through specialisation; a balance of authority and responsibility enables duties to be performed effectively; and discipline ensures observance of fair rules and agreements. Together these principles support orderly and effective management.

Quick Tip to Solve: For each named principle, state its meaning, explain how it operates and give a brief application. Link authority to sufficient power, and discipline to commitments by both managers and workers.

OR

31(b). Explain the following points of significance of principles of management :

(i) Scientific decisions

(ii) Providing managers with useful insights into reality

(iii) Meeting changing environment requirements [6 marks]

Solution:

Concept:

- Principles of management are general guidelines developed through experience, observation and experimentation. Their significance lies in helping managers understand situations and choose suitable courses of action.
- These principles are flexible and are applied after considering the particular circumstances. They encourage objective decisions, offer insights drawn from managerial experience and help organisations respond to change.

Step 1: Explain scientific decisions **(i) Scientific decisions:** Principles of management enable managers to take decisions based on logic and an objective assessment of the situation. A sound decision should be timely, realistic, measurable and capable of evaluation. Instead of relying only on personal prejudice, a hunch or trial and error, the manager examines facts and applies a suitable principle to the problem. This makes the reasoning behind the decision clearer and reduces arbitrary action. For instance, while assigning duties, a manager can consider employees' abilities and the principle of division of work rather than assigning every task to a personal favourite. The principle provides a rational basis, while the actual decision still requires an assessment of the circumstances.

Step 2: Explain useful insights into reality **(ii) Providing managers with useful insights into reality:** Management principles give managers insights into real situations by drawing on accumulated knowledge, experience and understanding of managerial problems. They help managers recognise relationships between actions and their likely consequences, improving their ability to judge a situation. The manager can learn from established experience instead of beginning afresh with every problem. For example, knowledge of unity of command helps a manager understand that orders from two superiors may create confusion and conflicting demands. Such an insight helps in identifying the cause of a problem and taking a more effective corrective decision.

Step 3: Explain adaptation to environmental change **(iii) Meeting changing environment requirements:** Management principles are general guidelines rather than rigid rules. Their application can be modified to suit changes in the business environment, including changes in technology, competition, employee expectations and methods of work. This flexibility allows managers to retain the useful underlying idea while adapting how it is put into practice. For example, the principle of division of work may be applied through a changed allocation of tasks when new technology alters production methods. Thus, management principles help an organisation respond to changing requirements instead of mechanically following an outdated practice.

Step 4: Conclusion Management principles support scientific and objective decisions, provide practical insights from accumulated managerial experience, and offer flexible guidance for meeting changes in the business environment. Their value depends on thoughtful application to the situation concerned.

Quick Tip to Solve: Keep the three benefits distinct: scientific decisions concern the basis of a decision, insights concern understanding real situations, and flexibility helps a manager respond to environmental change.

32. 'TnG' is a leading manufacturer of baby care and feminine care products and has a good market reputation. It has Production, Marketing, Human Resources, Customer Service and Research and Development departments. To capitalise on its brand name and to take advantage of new business opportunities, the company decided to diversify into manufacturing of new range of products like 'Beauty and Wellbeing', 'Home Care', 'Personal Care', 'Nutrition', etc. For this, the company had to add more employees and create more departments and choose a good organisational structure which would help the company in achieving its objectives.

(a) Explain the organisational structure that 'TnG' should choose after it decided to diversify. Also give reason in support of your answer.

(b) State how the organisational structure explained in (a) above will help the organisation and the heads of different departments. Give two points in favour of each. [6 marks]

Solution:

Concept:

- Organising establishes reporting relationships and groups activities so that the enterprise can achieve its objectives. A divisional structure groups activities on the basis of products or product lines.
- Each product division is a relatively self-contained unit with its own functional departments, such as production, marketing and finance. Its divisional head is accountable for its performance.

Step 1: (a) Identify and explain the appropriate structure TnG should adopt a **divisional organisational structure**. Separate divisions should be formed around its different product lines. Each division brings together the functions needed for its own product, while the top management coordinates the enterprise as a whole. Thus, functional activities are grouped within each product division instead of all products being managed only through one common set of functional departments.

Step 2: Support the choice with evidence from the case The company has decided to diversify into a "new range of products" such as "Beauty and Wellbeing", "Home Care", "Personal Care" and "Nutrition". These distinct product categories require focused attention and coordination. Its expansion also requires "more employees" and "more departments". A divisional structure is suitable for a large organisation manufacturing different products, since each product can operate as a separate unit with the necessary functional support. The existing Production and Marketing departments reflect functional grouping; diversification makes product-based grouping appropriate.

Step 3: (b) State two benefits for the organisation

- **Accountability for results:** Revenue and costs relating to each division can be identified separately. Divisional performance can therefore be assessed and responsibility for poor results fixed. This helps management take corrective action concerning a poorly performing product line.
- **Expansion and growth:** A new product division can be added without disrupting the existing divisions. TnG can therefore introduce further products while its established divisions continue to operate.

Step 4: State two benefits for the divisional heads

- **Development of multiple skills:** Each divisional head gains experience in a variety of functions connected with the product, including production, marketing and finance. This broad experience develops managerial competence and prepares the head for higher positions.

- **Flexibility and initiative:** A division functions as an autonomous unit under its head. Freedom to make decisions concerning the division promotes initiative and allows quicker responses to the needs of that product's customers and market.

Step 5: Conclusion TnG should choose a divisional structure because it is diversifying into distinct product lines. The organisation gains clearer performance accountability and easier expansion, while divisional heads develop multiple skills and exercise greater initiative through autonomy.

Quick Tip to Solve: In a diversification case, connect each product line to a division. Separate benefits to the enterprise from benefits to the divisional head when the question asks for two of each.

33(a). Explain the following factors affecting the working capital requirements of a company :

(i) Operating Efficiency

(ii) Business Cycle

(iii) Credit Allowed

(iv) Availability of Raw Material [6 marks]

Solution:

Concept:

- Working capital finances day-to-day operations through current assets such as cash, inventories and trade receivables. It is needed while funds remain tied up between purchasing inputs and collecting cash from sales.
- The working capital requirement depends on the scale of operations and the speed with which funds invested in current assets return as cash. The following factors change the amount or duration of funds tied up in operations.

Step 1: (i) Explain operating efficiency **Operating efficiency:** Firms use raw materials, labour and other resources to produce and sell goods. Efficient operations minimise wastage and improve the use of these resources. Efficient production, inventory management and collection of receivables shorten the operating cycle and release cash sooner. Consequently, less money remains blocked in current assets and the firm requires less working capital for a given level of activity. An inefficient firm ties up funds for longer, incurs avoidable costs and needs more working capital to carry on the same operations.

Step 2: (ii) Explain the business cycle **Business cycle:** During a boom, demand for the firm's products usually rises. The business increases production and sales and needs larger stocks of raw materials and finished goods. Higher credit sales can also increase receivables. More funds are therefore invested in current assets and the working capital requirement rises. During a depression, demand and the scale of production generally fall. Smaller inventories and lower sales usually reduce the working capital needed. Thus, the phase of the business cycle influences the volume of funds required for routine operations.

Step 3: (iii) Explain credit allowed **Credit allowed:** This refers to credit that the firm extends to its customers. A liberal credit policy, especially a longer credit period, delays the collection of cash from sales and increases the amount blocked in trade receivables. The firm must finance its purchases,

wages and other operating expenses during that waiting period, so it needs more working capital. A stricter policy, with a shorter credit period or more cash sales, brings in cash earlier and reduces the working capital requirement. Credit allowed to customers must be distinguished from credit availed from suppliers.

Step 4: (iv) Explain availability of raw material **Availability of raw material:** If raw material is easily and continuously available, or can be obtained after a short lead time, the firm can maintain smaller stocks. Less money is blocked in raw material inventory and the working capital requirement is lower. If supplies are scarce, irregular or take a long time to arrive, the firm has to maintain larger stocks to prevent production from being interrupted. A longer procurement lead time therefore normally increases working capital needs. Seasonal availability can similarly require the firm to purchase and hold enough material in advance.

Step 5: Conclusion Efficient operations generally reduce working capital needs, while a boom and liberal customer credit increase them. Easily available raw materials permit smaller inventories, whereas uncertain supplies or longer procurement lead times require larger stocks and more working capital.

Quick Tip to Solve: For each factor, state its effect on inventories, receivables or the time taken to recover cash, then link that effect explicitly to higher or lower working capital.

OR

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

(i) Flexibility

(ii) Floatation costs

(iii) Stock market conditions

(iv) Control [6 marks]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company's long-term requirements. Its choice must balance the benefits of borrowing with financial risk and the interests of owners.
- Flexibility, floatation costs, stock market conditions and control affect the suitability of a source of finance; the cheapest source is not automatically the best in every situation.

Step 1: Explain flexibility and floatation costs **(i) Flexibility:** A company should preserve its ability to raise additional finance when future opportunities or unexpected needs arise. Borrowing up to the maximum possible limit leaves little scope for obtaining further debt. Therefore, the firm should maintain some unused borrowing capacity and choose a debt-equity mix that allows it to change its financing arrangements when circumstances change. Excessive debt also brings fixed interest commitments, reducing financial freedom.

(ii) Floatation costs: These are the costs incurred in raising funds, such as underwriting commission,

brokerage, legal expenses, advertising and preparation of issue documents. Different sources have different floatation costs. Raising funds through a public issue of shares or debentures normally involves substantial issue expenses, whereas obtaining a loan from a financial institution may involve lower floatation costs. These costs reduce the net funds available and must be considered while selecting the source and the capital structure.

Step 2: Explain stock market conditions and control **(iii) Stock market conditions:** During a bullish phase, share prices rise and investors are more willing to buy equity. A company can find it easier to issue shares and raise the required amount on favourable terms. During depressed or bearish market conditions, investors may hesitate to subscribe to equity and an equity issue may not be successful. Debt may then be a more suitable source, provided the company can service it. Thus, market conditions influence the timing and relative use of equity and debt.

(iv) Control: Equity shareholders generally have voting rights. An additional equity issue to outsiders can dilute the voting power and control of existing shareholders. Debt holders normally do not have voting rights, so debt can raise funds without directly diluting ownership control. If retaining control is a major consideration, existing owners may prefer debt, while still considering the financial risk and repayment obligations that borrowing creates.

Step 3: Conclusion An appropriate capital structure preserves future financing flexibility, considers the expenses of raising funds, takes advantage of prevailing stock market conditions, and protects the desired degree of ownership control without creating excessive debt commitments.

Quick Tip to Solve: Link flexibility to unused borrowing capacity, floatation costs to issue expenses, market conditions to equity demand, and control to shareholders' voting rights.

34. Recognising the growing demand for luxury, convenience and personalised experience due to increased disposable income and busy work schedules, 'Ramneek Bros'. had launched a high end concierge service company two years ago. The company offers customised exclusive services to ultra wealthy clients such as making restaurant reservations, booking private jets, arranging tickets for shows, etc.

Ramneek Bros. charges premium prices for their services reflecting the exclusive and top quality offerings they provide. The company also provides a mobile app allowing their clients to access and request for services from anywhere in the world. To communicate availability and features of their services, Ramneek Bros. advertises in high class magazines and depends upon word of mouth recommendations from existing clients. As a result, the company has successfully established itself as a market leader in their field.

Quoting lines from the above case, identify and explain any three elements of marketing mix.

[6 marks]

Solution:

Concept:

- Marketing mix is the combination of controllable marketing variables that a firm uses to achieve its marketing objectives in its target market. Its four elements are product, price, place and promotion.
- A service is also a product because it offers benefits that satisfy customers' needs. In a case study,

identify each chosen element from the action described and support it with the relevant words of the case.

Step 1: Identify and explain the product element **Product:** "The company offers customised exclusive services to ultra wealthy clients such as making restaurant reservations, booking private jets, arranging tickets for shows, etc."

Product means the goods or services offered by an enterprise to satisfy customers' needs and wants. Product decisions include the nature and range of the offering, its quality, features and associated services. Here, Ramneek Bros.' product is its high-end concierge service. The customised reservations, travel arrangements and show bookings provide convenience and a personalised experience to its target customers. Their exclusive nature and quality distinguish this service offering from ordinary assistance.

Step 2: Identify and explain the price element **Price:** "Ramneek Bros. charges premium prices for their services reflecting the exclusive and top quality offerings they provide."

Price is the amount customers must pay to obtain a product or service. Pricing decisions concern the price level, discounts, allowances and payment terms. The company sets a premium price for the exclusive benefits and service quality it offers to ultra wealthy clients. Its price therefore reflects the value and positioning of the service in the target market. This quoted line relates to the amount charged, which makes it evidence of the price element.

Step 3: Identify and explain the promotion element **Promotion:** "To communicate availability and features of their services, Ramneek Bros. advertises in high class magazines and depends upon word of mouth recommendations from existing clients."

Promotion covers activities that communicate the availability, features and benefits of a product and persuade prospective customers to buy it. Promotion decisions involve selecting a suitable communication mix, such as advertising, personal selling, sales promotion and public relations. Ramneek Bros. uses advertising in magazines read by its target customers to create awareness of its services. Recommendations from satisfied existing clients also help communicate their benefits and build confidence among prospective clients. The quoted communication activities establish the promotion element.

Step 4: Conclusion The three elements identified are **product** (customised concierge services), **price** (premium charges for exclusive quality), and **promotion** (magazine advertising and client recommendations). Each is supported by the company's action stated in the case.

Quick Tip to Solve: For any three marketing-mix elements, pair one exact case quotation with its name and meaning: what is offered, what is charged, or how customers are informed.