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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

The component of business environment highlighted in the above para is : [1 mark]

(A) Political Environment

(B) Technological Environment

(C) Economic Environment

(D) Social Environment

Correct Answer: (C) Economic Environment

Solution:

Concept:

- Economic environment includes inflation, income levels, interest rates and other economic conditions affecting business decisions.
- A business monitors these conditions because they influence purchasing power, costs, prices and profitability.

Step 1: Identify the economic clues The case specifically mentions changes in 'inflation rates and disposable income of people'. Inflation affects the purchasing power of money and business costs, while disposable income affects how much consumers can spend on fashion products. Both are economic variables.

Step 2: Distinguish the other dimensions Political environment concerns government attitudes and political stability; technological environment concerns innovations and methods; social environment concerns customs, values and lifestyles. None describes the specific income and inflation changes highlighted here.

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

Quick Tip to Solve: Link inflation, interest rates and disposable income to the economic environment; identify the stated cause rather than the type of business.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- The dividend decision divides earnings between distribution to shareholders and retention for future business investment.
- Growth opportunities increase the need for retained earnings, so growth companies generally distribute a smaller portion of earnings as dividends.

Step 1: Evaluate the assertion Assertion (A) is true in the stated textbook context. Growth companies need funds for expansion and normally pay smaller dividends than comparable companies without such growth opportunities.

Step 2: Evaluate the reason Reason (R) is true. Good growth opportunities require investment, and retaining more earnings provides an internal source of finance for that investment.

Step 3: Connect the reason to the assertion Retaining more of the available earnings leaves a smaller portion for dividend distribution. Thus the reason directly explains the smaller dividend. Option (B) incorrectly denies the explanatory link; (C) incorrectly calls the reason false; (D) incorrectly calls the assertion false.

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

Quick Tip to Solve: For dividend assertion-reason questions, trace the link: growth investment needs lead to higher retention and a lower dividend payout.

3. 'The membership of a stock exchange is well-regulated and its dealings are well-defined according to the existing legal framework. This ensures that the investing public gets a fair deal on the market.' The function of the stock exchange highlighted above is : [1 mark]

(A) Providing liquidity and marketability to existing securities

(B) Pricing of securities

(C) Safety of transaction

(D) Contributing to economic growth

Correct Answer: (C) Safety of transaction

Solution:

Concept:

- A stock exchange promotes safety of transactions by regulating membership and conducting dealings within a defined legal framework.
- Safety here means fair and regulated dealing; it does not guarantee that securities will never fall in value.

Step 1: Identify the function from the case The phrases 'membership ... well-regulated' and 'dealings ... according to the existing legal framework' point to safety of transaction. These safeguards help the investing public receive a fair deal.

Step 2: Eliminate the alternative functions Liquidity and marketability concern the ability to buy and sell existing securities readily. Pricing concerns price discovery through demand and supply. Contributing to economic growth concerns channelising investment into productive uses. The passage instead stresses regulation and fairness in transactions.

Step 3: Conclusion The function is Safety of transaction. Hence, the correct option is (C).

Quick Tip to Solve: In stock-exchange cases, regulation and a fair deal signal safety; ready resale signals liquidity, and demand-supply valuation signals pricing.

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

(A) A buyer buys a product or service for what it does or the benefit it provides.

(B) A product is a bundle of utilities, which is purchased because of its capability to provide satisfaction of a certain need.

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

(D) Product relates to not only the physical product, but also the benefits offered by it from the customer's view point.

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

Solution:

Concept:

- A product is a bundle of utilities purchased for its capacity to satisfy a need, rather than merely a physical object.
- The benefits sought from a product may be functional, psychological and social.

Step 1: Locate the incorrect classification Option (C) lists functional, promotional and technological benefits. This is not the textbook classification of benefits a customer seeks from a product. The relevant classification is functional, psychological and social benefits.

Step 2: Check the remaining statements Option (A) correctly focuses on what the product does or the benefit it provides. Option (B) correctly calls a product a bundle of utilities capable of satisfying a need. Option (D) correctly includes benefits from the customer's viewpoint, beyond the physical product. Since the question asks for the incorrect statement, these three are eliminated.

Step 3: Conclusion The incorrect statement is (C); the stated benefit categories should be functional, psychological and social. Hence, the correct option is (C).

Quick Tip to Solve: Underline the word incorrect, then compare benefit categories with the NCERT trio: functional, psychological and social.

5. Read the following statements carefully :

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

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

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

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

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

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

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

Correct Answer: (A) Statement I is true and Statement II is false.

Solution:

Concept:

- Staffing obtains, develops and retains suitable people for organisational roles and is a critical driver of organisational performance.
- Estimating manpower requirements has both a quantitative dimension (number of people) and a qualitative dimension (skills and qualifications).

Step 1: Evaluate Statement I Statement I is true. Organisational performance depends on the people who perform the work. Rapid technological advancement increases the need to recruit and develop people with appropriate knowledge and skills, making staffing even more important.

Step 2: Evaluate Statement II Statement II is false because of the word only. Understanding manpower requirements means identifying both how many employees are required and what qualifications, skills and experience they must possess. A headcount alone cannot ensure suitable staffing. Thus (B) reverses the truth values, (C) wrongly accepts Statement II and (D) wrongly rejects Statement I.

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

Quick Tip to Solve: For manpower requirements, always check both quantity and quality: how many employees, and with what abilities.

6. The process of holding securities in an electronic form is known as : [1 mark]

(A) Dematerialisation

(B) Rematerialisation

(C) Depository

(D) Capitalisation

Correct Answer: (A) Dematerialisation

Solution:

Concept:

- Dematerialisation converts physical securities into electronic form so they can be held and transferred through the depository system.
- A depository is the institution that holds securities electronically; it is distinct from the process of dematerialisation.

Step 1: Identify the process Holding securities in electronic form is associated with dematerialisation. Investors hold the electronic balance in a demat account instead of keeping physical share certificates.

Step 2: Distinguish the other terms Rematerialisation is the reverse process, converting electronic holdings back into physical certificates. A depository provides electronic safekeeping and related services, but is an institution rather than the process asked for. Capitalisation concerns capital or valuation and does not name electronic holding of securities.

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

Quick Tip to Solve: Remember the direction: dematerialisation removes physical certificates; rematerialisation restores them. A depository provides the holding facility.

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

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

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

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

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

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

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

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

Solution:

Concept:

- Directing is the broad management function of instructing, guiding, counselling, motivating and leading people towards organisational objectives.
- Leadership influences people willingly; communication creates common understanding; motivation stimulates people to act.

Step 1: Match each meaning with its concept (a) Influencing people to strive willingly for group objectives describes Leadership, so (a)-(ii). (b) Exchanging ideas, views, facts and feelings to create common understanding describes Communication, so (b)-(i).

Step 2: Complete and verify the mapping (c) Instructing, guiding, counselling, motivating and leading together describe Directing, so (c)-(iv). (d) Stimulating people to act describes Motivation, so (d)-(iii). Option (A) swaps communication and motivation; (C) misidentifies leadership and communication; (D) misidentifies leadership and directing. Only (B) contains all four correct matches.

Step 3: Conclusion The meanings correspond respectively to Leadership, Communication, Directing and Motivation. Hence, the correct option is (B).

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

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

(A) Contract note

(B) Order confirmation slip

(C) Unique order code

(D) Client registration form

Correct Answer: (A) Contract note

Solution:

Concept:

- A contract note is the legally enforceable record of a stock-exchange transaction executed by a broker for an investor.
- It is issued within 24 hours of execution and provides documentary evidence for settling disputes or claims.

Step 1: Match the document to its purpose The question combines three identifying features: a completed trade, issue by the broker within 24 hours, and legal enforceability. These features identify the contract note, which records the securities bought or sold and the terms of the transaction.

Step 2: Eliminate the other documents An order confirmation slip acknowledges an order rather than providing the legally enforceable record of the executed transaction. A unique order code is an identifying number, not the required document. A client registration form establishes the investor's registration with the broker before trading.

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

Quick Tip to Solve: Link the words "within 24 hours" and "legally enforceable" directly to the contract note.

9. Read the following statements carefully :

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

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

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

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

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

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

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

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

Solution:

Concept:

- A financial market facilitates the creation and exchange of financial assets, transferring funds from savers to users.
- On the basis of the maturity of instruments, financial markets are classified as money markets and capital markets.

Step 1: Evaluate Statement I Statement I correctly describes a financial market. Financial assets include claims such as shares and debt instruments; their creation and subsequent exchange bring suppliers and users of funds together. Thus Statement I is true.

Step 2: Evaluate Statement II and compare options Statement II is also true. The money market deals in short-term funds and instruments with maturity up to one year, whereas the capital market deals in medium- and long-term funds, including shares. Options (A) and (B) wrongly reject one true statement, while (C) wrongly rejects both.

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

Quick Tip to Solve: For maturity-based classification, remember short-term money market and medium- or long-term capital market.

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

Identify the correct option.

'GEO Builders' were : [1 mark]

(A) Efficient but not effective

(B) Effective but not efficient

(C) Neither effective nor efficient

(D) Effective as well as efficient

Correct Answer: (B) Effective but not efficient

Solution:

Concept:

- Effectiveness means completing the assigned task and achieving the desired objective within the required time.
- Efficiency concerns completing work with minimum cost and optimum use of resources; management should seek both.

Step 1: Check achievement of the deadline GEO Builders completed the housing project on time, meeting the December 2024 objective. The case states that "the project was completed on time". The firm was therefore effective despite the earlier slowdown caused by excessive heat.

Step 2: Check the cost of achieving the objective Hiring additional workers and paying for overtime increased the cost of construction by 10 percent. In this case, the objective was attained at an increased resource cost, so the firm was not efficient. Option (A) reverses the two conclusions; (C) ignores timely completion; (D) ignores the increased cost.

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

Quick Tip to Solve: Test the two dimensions separately: deadline achievement shows effectiveness; control of resource cost shows efficiency.

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

(i) Budgets

(ii) Policies

(iii) Programmes

(iv) Procedures

(v) Methods

(vi) Rules

Choose the correct alternative : [1 mark]

(A) (ii), (iii), (v) and (vi)

(B) (ii), (iv), (v) and (vi)

(C) (iii), (iv), (v) and (vi)

(D) (i), (ii), (iii) and (iv)

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

Solution:

Concept:

- Standing plans are developed for activities that occur regularly over a period and guide repeated decisions or actions.
- Policies, procedures, methods and rules are standing plans; programmes and budgets are treated as single-use plans in this classification.

Step 1: Identify the reusable plans Policies provide general guidelines for decisions; procedures specify a sequence of actions; methods prescribe the manner of performing a task; and rules state precisely what must or must not be done. These plans apply repeatedly, so items (ii), (iv), (v) and (vi) are standing plans.

Step 2: Remove the single-use plans Programmes outline activities for a particular project and budgets express expected results numerically for a specified purpose or period. They are single-use plans here. Option (A) includes programmes, (C) also includes programmes, and (D) includes both budgets and programmes. Only (B) contains all four standing plans.

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

Quick Tip to Solve: First exclude budgets and programmes; then check that policies, procedures, methods and rules remain.

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

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

(A) Selling concept

(B) Product concept

(C) Marketing concept

(D) Societal marketing concept

Correct Answer: (D) Societal marketing concept

Solution:

Concept:

- The societal marketing concept combines satisfaction of target customers with the long-term well-being of consumers and society.
- The marketing concept centres on identifying and satisfying customer needs; societal marketing adds wider social and environmental responsibility.

Step 1: Identify the customer-oriented element Deepak Toys Ltd. first identifies parents' needs for safe and eco-friendly toys and chooses suitable materials. This shows attention to the needs and wants of the target market, rather than merely producing goods and then persuading buyers to purchase them.

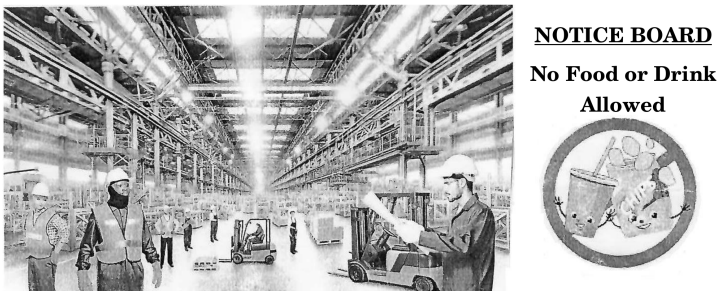
Step 2: Identify the social-welfare element and eliminate alternatives The company also ensures that "their manufacturing process will not harm the environment". This concern extends beyond immediate customer satisfaction to society's long-term welfare, making the philosophy societal marketing. Selling focuses on persuasion, product focuses on quality and features, and marketing alone does not capture the explicit environmental commitment.

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

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

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

[1 mark]



(A) Method

(B) Policy

(C) Strategy

(D) Rule

Correct Answer: (D) Rule

Solution:

Concept:

- A rule states exactly what is to be done or avoided and allows no discretion in the specified situation.
- Methods prescribe how to perform a task, policies guide decisions, and strategies provide a broad course of action.

Step 1: Read the notice as a precise instruction The factory notice states "No Food or Drink Allowed". It prohibits a particular action in the factory and does not leave workers free to decide whether food or drink should be allowed. This fixed prohibition is the distinguishing feature of a rule.

Step 2: Distinguish the other types of plans A method would describe the manner of performing a task, not simply prohibit an action. A policy is a general guideline within which decisions can be made. A strategy sets a comprehensive direction for achieving organisational objectives. None of these describes this direct and compulsory notice as closely as a rule.

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

Quick Tip to Solve: A notice using a definite prohibition such as "No" or "Not allowed" normally indicates a rule.

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 13.

13. 'It prescribes the ways or manner in which a task has to be performed considering the objective.' The type of plan discussed above is: [1 mark]

(A) Method

(B) Procedure

(C) Programme

(D) Rule

Correct Answer: (A) Method

Solution:

Concept:

- A method is a type of standing plan that prescribes the way or manner in which a particular task is to be performed, considering the objective.
- Methods standardise the performance of a task. A procedure gives the sequence of activities, while a rule specifies what must or must not be done.

Step 1: Identify the defining words The statement says that the plan "prescribes the ways or manner in which a task has to be performed considering the objective". The emphasis is on how to carry out one task. This is the NCERT description of a method, so option (A) matches the statement directly.

Step 2: Eliminate the other types of plans A procedure, option (B), specifies the sequence in which interrelated activities are to be performed; it does not merely prescribe the manner of doing one task. A programme, option (C), is a detailed plan combining objectives, policies, procedures, rules, tasks and resources for a project. A rule, option (D), states a definite action or prohibition without discretion. The statement describes neither a sequence, a complete project plan nor a mandatory restriction.

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

Quick Tip to Solve: Match "way or manner of doing a task" with method; match "sequence of activities" with procedure.

14. Organising involves a series of steps that need to be taken in order to achieve the desired goal. Identify the correct sequence of steps of organising function of management from the following :

[1 mark]

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

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

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

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

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

Solution:

Concept:

- Organising establishes a structure of work, duties and authority to achieve organisational objectives.
- The sequence is identification and division of work, departmentalisation, assignment of duties, and establishment of reporting relationships.

Step 1: Arrange work before allocating responsibility First identify the activities necessary to achieve the objective and divide them into manageable tasks. Next group similar or related activities into departments. Duties can then be assigned to individuals according to their abilities and the requirements of each job.

Step 2: Complete the authority structure and compare options After duties have been assigned, establish who reports to whom so that authority, responsibility and coordination are clear. Options (A) and (B) wrongly place departmentalisation before identifying the work. Option (D) establishes reporting relationships before assigning duties. Only (C) preserves the complete logical sequence.

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

Quick Tip to Solve: Remember the organising order as work, groups, people, and reporting links.

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

(A) Setting performance standards

(B) Comparing actual performance with standards

(C) Analysing deviations

(D) Taking corrective actions

Correct Answer: (B) Comparing actual performance with standards

Solution:

Concept:

- Controlling involves setting standards, measuring actual performance, comparing the two, analysing deviations and taking corrective action.
- A comparison reveals whether actual results meet the predetermined target; analysing deviations subsequently investigates why a gap arose.

Step 1: Locate the standard and the review The company has already fixed a target of reducing production cost by 15%. The words "reviews the progress and finds that the cost reduction measures implemented have not been as effective as planned show that actual progress is being assessed against this target.

Step 2: Distinguish comparison from later steps The shortfall becomes visible by comparing actual performance with the standard, so (B) applies. Setting the target was the earlier step, ruling out (A). The case does not investigate the causes of the shortfall, as required for (C), or describe remedial measures, as required for (D).

Step 3: Conclusion Green Tech Solutions has completed comparing actual performance with standards. Hence, the correct option is (B).

Quick Tip to Solve: Finding a gap is comparison; finding its causes is analysing deviations.

16. "With the growth of computers, more and more companies are using interactive sites on the Internet, to gather customer views and opinions, before taking important business decisions." Identify the marketing function highlighted in the above lines. [1 mark]

(A) Marketing planning

(B) Product designing and development

(C) Branding

(D) Gathering and Analysing Market Information

Correct Answer: (D) Gathering and Analysing Market Information

Solution:

Concept:

- Marketing begins with identifying customer needs and analysing information about the market to support business decisions.
- Customer feedback, opinions and preferences can be collected through interactive Internet sites as part of market information gathering.

Step 1: Identify what the firms collect The decisive words are "to gather customer views and opinions, before taking important business decisions. The companies are obtaining information about their customers rather than immediately changing the product or its identity.

Step 2: Match the marketing function Gathering and Analysing Market Information, (D), describes this activity. Marketing planning, (A), sets objectives and programmes using such information. Product designing and development, (B), concerns product features and improvements. Branding, (C), gives the product a distinguishing name or identity. None of those is the activity highlighted here.

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

Quick Tip to Solve: When the action is collecting customer views before deciding, identify market information gathering.

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

The product-related decision neglected by the marketer was : [1 mark]

(A) Branding

(B) Packaging

(C) Labelling

(D) Both (B) and (C)

Correct Answer: (B) Packaging

Solution:

Concept:

- Packaging means designing and producing the container or wrapper of a product.
- Protection during handling, transport and storage is a key function of packaging, especially for fragile goods such as glass bottles.

Step 1: Find the neglected protection function Ketan received two broken bottles because "the container or wrapper was not adequate to protect the bottles. This directly identifies inadequate packaging: the package failed to protect the glass during delivery.

Step 2: Eliminate decisions about identity and information Packaging, (B), is therefore the neglected decision. Branding, (A), identifies and differentiates the product by its name or mark. Labelling, (C), supplies information on the product or package; the case does not mention a missing or defective label. Since only protective packaging is at fault, the combined answer (D) is also incorrect.

Step 3: Conclusion The marketer neglected packaging. Hence, the correct option is (B).

Quick Tip to Solve: A broken product caused by an inadequate container points to packaging, rather than labelling.

18. From the following, identify the incorrect statement with respect to 'Delegation' : [1 mark]

(A) Delegation is a compulsory act because no individual can perform all tasks on his own.

(B) It has a narrow scope as it is limited to the superior and his immediate subordinate.

(C) It is a process followed to share tasks.

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

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

Solution:

Concept:

- Delegation is the transfer of authority from a superior to an immediate subordinate to perform assigned tasks; the superior retains ultimate accountability.
- Decentralisation extends delegation systematically throughout the organisation and increases the role and autonomy of subordinates at different levels.

Step 1: Check the features of delegation Statement (A) is correct: delegation is necessary because one manager cannot perform every task personally. Statement (B) correctly describes its limited scope between a superior and an immediate subordinate. Statement (C) is also correct because delegation is a process through which tasks and the necessary authority are shared.

Step 2: Identify the statement describing decentralisation Statement (D), increasing the role of subordinates in the organisation by giving them more autonomy, states the role of decentralisation in the NCERT comparison. Delegation helps the manager get work done through a subordinate, whereas decentralisation enlarges subordinates' roles across the organisation. Thus (D) is the incorrect statement in this particular comparison.

Step 3: Conclusion The statement describing decentralisation rather than delegation is (D). Hence, the correct option is (D).

Quick Tip to Solve: For delegation versus decentralisation, compare the immediate superior-subordinate relationship with autonomy across organisational levels.

19. Which of the following is not a factor affecting investment decision ? [1 mark]

(A) Investment criteria involved

(B) Control considerations

(C) Cash flows of the project

(D) Rate of return

Correct Answer: (B) Control considerations

Solution:

Concept:

- A long-term investment decision evaluates whether funds should be committed to a particular project or asset.

- Cash flows, the rate of return and the investment criteria used to evaluate projects are the main factors affecting capital-budgeting decisions.

Step 1: Identify the relevant project factors Cash flows of the project, (C), show its expected inflows and outflows. The rate of return, (D), indicates the benefits expected relative to the investment. Investment criteria involved, (A), provide the evaluation techniques for judging the project. All three therefore affect investment decisions.

Step 2: Separate investment choice from financing choice Control considerations, (B), concern how financing sources affect ownership and control. For example, issuing equity may dilute existing owners' control. That issue belongs to the financing decision about the mix of debt and equity, rather than the listed factors governing the choice of an investment project.

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

Quick Tip to Solve: Project cash flows and returns concern investment; dilution of ownership concerns financing.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Informal organisation emerges spontaneously through personal interactions and social relationships among people at work.
- Unlike the deliberately created formal structure, informal organisation has no definite structure or prescribed form.

Step 1: Evaluate the assertion The assertion says that informal organisation has a definite structure or form. This is false: its relationships arise naturally from interaction, friendship and shared interests, rather than from an officially prescribed hierarchy or organisation chart.

Step 2: Evaluate the reason The reason describes informal organisation as a complex network of social relationships among members. This is true and expresses its essential nature. The network is based on personal relationships and is not confined to the formal chain of command.

Step 3: Choose the matching truth combination Options (A) and (B) require both statements to be true, so they fail because the assertion is false. Option (C) reverses the actual truth values. Option (D) alone correctly states that the assertion is false but the reason is true.

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

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

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

Identify and explain two components of marketing mix that the management of 'Refresh Zone' needs to work on. [3 marks]

Solution:

Concept:

- The marketing mix is the combination of product, price, place and promotion used by a firm to achieve its marketing objectives in a target market.
- Product decisions concern the goods and services offered and the benefits they provide; price decisions concern the amount customers pay and their perception of value.

Step 1: Identify and explain the product component **Product:** This means the goods or services, or anything of value, offered to satisfy customer needs. Product decisions include quality, features, variety, design, branding and packaging. Customers at Refresh Zone complain about a 'lack of variety' and changing consumer preferences are not being met. The management therefore needs to review its coffee and snack range, introduce suitable varieties and maintain quality so that its offering meets the preferences of its target customers. The problem concerns what the coffee house offers, so it relates to product.

Step 2: Identify and explain the price component **Price:** This is the amount of money a customer has to pay to obtain a product or service. Pricing decisions include the basic price, discounts and credit terms, where relevant, while considering costs, demand, competition and customer value. Here, the price is 'significantly higher than its competitors' and customers feel quality does not justify the premium. Refresh Zone should review its prices in relation to competitors and the benefits offered, so that customers perceive the coffee as worth its price.

Step 3: Conclusion The two components requiring attention are product, because variety and suitability need improvement, and price, because the premium charged is not supported by the value customers perceive.

Quick Tip to Solve: Link each case clue to a marketing decision: lack of variety concerns product, while the amount charged and perceived value concern price.

22(a). State any three 'Development functions' of the Securities and Exchange Board of India.

[3 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) promotes an orderly and healthy securities market while protecting investors and regulating its participants.
- Development functions strengthen market participants and improve the working of the securities market. They should be distinguished from protective measures against misconduct and regulatory supervision.

Step 1: State the training and research functions **Training of intermediaries:** SEBI promotes the training of intermediaries in the securities market. Training improves their knowledge, professional competence and understanding of market practices, helping them provide more efficient services to investors and other market participants.

Research and dissemination of information: SEBI undertakes research and publishes information useful to all market participants. The availability of relevant market information improves awareness and supports informed decisions, contributing to the development of a healthy securities market.

Step 2: State the function that develops trading practices **Promotion of flexible trading practices:** SEBI undertakes measures to develop the capital market by permitting suitable trading practices and making optional certain otherwise compulsory requirements, where appropriate. For example, internet trading through registered stock brokers provides investors with a convenient way of placing orders. Such initiatives improve access and the operation of the market. This is a development function because its purpose is to facilitate market growth and efficiency, rather than simply punish a violation.

Step 3: Conclusion Three development functions of SEBI are training securities-market intermediaries, undertaking research and publishing useful information, and promoting market development through flexible trading practices and suitable relaxation of requirements.

Quick Tip to Solve: For development functions, remember training, research and market development; do not substitute prohibiting fraud or registering brokers, which belong to other categories.

OR

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

(i) Investment Outlay

(ii) Duration

[3 marks]

Solution:

Concept:

- The money market is a market for short-term funds and monetary assets whose maturity period is up to one year. Its instruments are generally close substitutes for money.

- The capital market provides medium- and long-term funds. Investment outlay and duration distinguish it from the short-term, largely wholesale money market.

Step 1: Define the money market The money market is the market for short-term funds which deals in monetary assets with a maturity period of up to one year. These assets are close substitutes for money because they are highly liquid and generally involve low risk. Transactions may take place through financial institutions and dealers rather than at a particular physical location. Examples of instruments traded in this market include treasury bills, commercial paper, certificates of deposit, call money and commercial bills. It serves short-term financing and liquidity requirements.

Step 2: Compare investment outlay and duration

Basis	Capital market	Money market
Investment outlay	Investment does not necessarily require a huge financial outlay. Securities may have relatively small unit values, enabling individuals with small savings to participate.	Transactions generally require a large investment outlay because instruments are issued in large denominations and the market is largely wholesale.
Duration	Deals in medium- and long-term funds, generally for periods exceeding one year.	Deals in short-term funds and instruments with maturity of up to one year.

Step 3: Conclusion The money market supplies short-term funds for periods up to one year. Relative to the capital market, it generally requires larger investment outlays and deals in shorter-duration instruments.

Quick Tip to Solve: Use the one-year boundary for duration. For investment outlay, contrast the money market's large denominations with capital-market securities accessible to small investors.

23(a). State the three leadership styles. [3 marks]

Solution:

Concept:

- Leadership is the process of influencing people so that they willingly strive to achieve organisational objectives. A leadership style describes how a leader exercises authority and involves subordinates.
- The three leadership styles in NCERT are autocratic or authoritarian, democratic or participative, and laissez-faire or free-rein. The distinction is the degree of freedom given to subordinates.

Step 1: State the styles based on centralised and shared authority **1. Autocratic or authoritarian leadership:** The leader gives orders and expects subordinates to obey them. Decisions and authority are concentrated in the leader, and communication is primarily downward.

2. Democratic or participative leadership: The leader consults subordinates, encourages them to express opinions and involves them in decision-making. The leader recognises that participation can improve cooperation and acceptance of decisions.

Step 2: State the style based on substantial subordinate freedom **3. Laissez-faire or free-rein leadership:** The leader gives subordinates a high degree of independence to formulate their own

objectives and methods of work. The leader supports them with information and resources and largely allows the group to manage its tasks. This requires capable, responsible subordinates.

Step 3: Conclusion The three styles are autocratic (authoritarian), democratic (participative), and laissez-faire (free-rein) leadership. They range from leader-centred decisions to extensive freedom for subordinates.

Quick Tip to Solve: Remember the sequence by asking who decides: the leader, the leader with the group, or largely the group itself.

OR

23(b). State any three financial incentives which may be used to motivate people. [3 marks]

Solution:

Concept:

- Financial incentives are monetary benefits, or benefits measurable in money, used to motivate employees. They satisfy economic needs and can encourage improved performance.
- An organisation can use pay and allowances, productivity-linked wage incentives and bonuses. These are distinct forms of financial reward and should be stated separately.

Step 1: State regular remuneration and performance-linked payments **1. Pay and allowances:** Salary is the basic monetary incentive for employees. It includes basic pay, dearness allowance and other allowances. Regular salary increments and increases in allowances provide a financial reason to remain with the organisation and perform well.

2. Productivity-linked wage incentives: These link additional wage payments to increases in an individual's or group's productivity. An employee who produces more or achieves the prescribed output receives extra remuneration, thereby connecting effort and output with reward.

Step 2: State an additional payment beyond normal wages **3. Bonus:** A bonus is an incentive offered over and above the normal wages or salary of employees. It provides an additional monetary benefit and can encourage employees to contribute to organisational performance. It differs from basic pay because it is an extra payment rather than the employee's usual remuneration.

Step 3: Conclusion Three financial incentives are pay and allowances, productivity-linked wage incentives, and bonus. Each offers a monetary benefit, although the basis and timing of payment differ.

Quick Tip to Solve: Choose three separate NCERT incentive headings; do not count basic pay and an allowance as two different incentive categories.

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

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

(ii) Also state any one advantage and any one disadvantage of the organizational structure discussed in the above para by quoting lines. [3 marks]

Solution:

Concept:

- A divisional structure groups organisational activities around products or product lines. Each division has its own functional resources and is responsible for its results.
- When a company diversifies into different product categories, product-based divisions allow accountability for profit. However, separate divisions may compete for organisational resources or duplicate functions.

Step 1: Identify and explain the structure **(i) Divisional structure:** Chaman Pharmaceuticals Ltd. adopted a divisional organisation structure. Its activities were grouped into separate product divisions for medicines, medical devices, baby care products and nutritional supplements. Each division operates under a head and has the functions necessary for its product. The clue is: "Each product category had a different head accountable for profits, revenues and costs." Thus, responsibility is organised around products rather than merely around common functions such as production or marketing.

Step 2: Link an advantage and a disadvantage to the quoted evidence **(ii) Advantage—accountability:** Divisional heads are accountable for the profits of their product divisions, making it easier to assess performance and fix responsibility. The case states: "In case of poor performance of their product, the heads were held responsible."

Disadvantage—conflict over resource allocation: Divisions may compete for limited funds because each head seeks resources for their own product category. The case states: "conflict could arise among different heads with reference to allocation of funds." Such rivalry can obstruct cooperation and the interests of the organisation as a whole.

Step 3: Conclusion The company adopted a divisional structure. It enables product-wise accountability but may create conflict between divisional heads over the allocation of funds.

Quick Tip to Solve: Identify divisional structure through separate product heads; then quote the sentence that directly supports each advantage or disadvantage asked.

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

[4 marks]

Solution:

Concept:

- Consumer Protection concerns safeguarding consumers against unfair trade practices and ensuring that they receive safe products, fair treatment and effective redressal.
- From the business point of view, protecting consumers supports the firm's long-term interests and fulfils its social responsibility towards an important stakeholder group.

Step 1: Explain the long-term interest of business **Long-term interest of business:** It is in the firm's own interest to keep its customers satisfied. A business that supplies good-quality goods, charges fair prices and resolves genuine complaints earns consumers' confidence. Satisfied customers are more likely to purchase again and recommend the products to others. This builds goodwill and widens the customer base, helping the firm earn profits over time. Exploiting a customer may yield an immediate gain, but damages trust and threatens future sales. Consumer protection therefore supports the continuing survival and growth of the business rather than merely a single transaction.

Step 2: Explain the firm's social responsibility **Social responsibility:** Business has responsibilities towards the different groups that affect its functioning. Consumers are one of the most important of these groups because they buy and use its products. The firm must therefore protect their interests by offering safe and reliable goods, giving truthful information about quality, quantity and price, and avoiding deceptive advertisements and unfair practices. It should also respond to complaints and provide appropriate redressal. Performing these duties shows that the enterprise recognises its obligation to consumer welfare while carrying on its commercial activities.

Step 3: Conclusion Two points of importance of consumer protection for business are **long-term interest of business** and **social responsibility**. Protecting consumers builds durable customer trust and fulfils the firm's obligations towards them.

Quick Tip to Solve: For the business viewpoint, connect each heading to the firm's interests or responsibilities; explain the link instead of only listing the heading.

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

Identify and explain two features and two points of importance of business environment discussed in the above para. [4 marks]

Solution:

Concept:

- Business Environment comprises the external forces and conditions that affect an enterprise's performance. Features describe the nature of these forces; importance explains why managers must understand them.
- The case highlights the dynamic nature and uncertainty of the environment, and the importance of coping with rapid changes and improving performance.

Step 1: Identify and explain the two features **Dynamic nature:** The environment keeps changing through shifts in consumer preferences, technology and other external conditions. The words "there is a shift in consumer demand for healthier food options" and "frequent technological advancements in production processes" show that Global Foods Ltd. cannot continue with unchanged products and methods. It must adjust to a moving environment.

Uncertainty: Environmental changes, particularly frequent changes, are difficult to predict accurately. The company is "finding it increasingly difficult to predict future outcomes". Fluctuations in commodity prices, exchange rates and political conditions add to the difficulty of forecasting the conditions in which future decisions will operate.

Step 2: Identify and explain the two points of importance **Coping with rapid changes:** Understanding the environment enables managers to examine changes and develop suitable courses of action. The case states that managers must "understand and examine the environment to develop suitable courses of action". For Global Foods Ltd., this helps it respond to changing health preferences and production technology rather than allowing its products and practices to become unsuitable.

Improving performance: Continuous environmental monitoring and suitable business practices help an enterprise improve its present performance and remain successful over a longer period. The case expressly says the company will "improve its present performance" and continue achieving its objectives "for a long period". Awareness of environmental conditions thus helps management choose practices that support sustained success.

Step 3: Conclusion The two features are **dynamic nature** and **uncertainty**. The two points of

importance are **coping with rapid changes** and **improving performance**, each supported by the company's situation in the passage.

Quick Tip to Solve: Separate what the environment is like from why studying it helps: changing and unpredictable are features; adapting and performing better explain its importance.

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

(i) Coordination integrates group efforts.

(ii) Coordination is a delibrate function. [4 marks]

Solution:

Concept:

- Coordination is the process by which a manager synchronises the activities of different departments and individuals to bring unity of action in pursuit of common organisational goals.
- Coordination binds the efforts of people into a purposeful whole. It is required across managerial functions and cannot be left to chance, even when employees willingly cooperate.

Step 1: Explain how coordination integrates group efforts **Coordination integrates group efforts:** People in an organisation perform different tasks and may have different interests and approaches. Coordination unifies these otherwise unrelated or diverse efforts into purposeful work activity. It gives a common focus to group effort so that the performance of the group contributes to organisational goals rather than merely to separate individual targets. For example, production and sales must work in harmony: sales requirements should guide the quantity and timing of production. Integration makes their activities complementary and prevents one department's work from obstructing another's.

Step 2: Explain why coordination requires deliberate action **Coordination is a deliberate function:** A manager has to coordinate the efforts of different people consciously and intentionally. Coordination does not arise automatically merely because employees are cooperative or have good intentions. Their efforts need direction, suitable timing and mutual adjustment. Conversely, coordination without a spirit of cooperation is also difficult to achieve. Managers therefore arrange communication, clarify responsibilities and align activities so that willing cooperation becomes effective, coordinated action. This deliberate managerial effort ensures that different tasks are performed in the required sequence towards a common result.

Step 3: Conclusion Coordination integrates diverse individual and departmental efforts into a unified group effort and is consciously brought about by managers. Thus, integration supplies a common direction, while deliberate action ensures that the various contributions actually fit together.

Quick Tip to Solve: For integration, explain how separate efforts become a purposeful whole; for deliberate action, explain why willing cooperation still needs conscious managerial direction.

OR

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

(i) Management is an intangible force.

(ii) Management is a continuous process. [4 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently with and through people to achieve organisational goals.
- Its presence is understood through the results of coordinated effort, and its functions are performed repeatedly as the organisation continues its activities.

Step 1: Explain management as an intangible force **Management is an intangible force:** Management itself cannot be seen or touched as a physical object. Its presence can, however, be felt in the way an organisation functions and in the results it achieves. When targets are met according to plans, employees are happy and satisfied, and work proceeds with orderliness rather than confusion, effective management is evident. These outcomes reflect the guidance and coordination supplied by managers. Thus, the fact that management is intangible does not make it unimportant or unobservable in its effects; one recognises its quality through the working atmosphere and the accomplishment of goals.

Step 2: Explain management as a continuous process **Management is a continuous process:** Management consists of the ongoing functions of planning, organising, staffing, directing and controlling. Managers perform these functions continuously rather than completing them once and stopping. Plans require people and resources to be organised, employees need guidance, and actual performance must be checked. The results of control can then call for revised plans and fresh action. In practice these functions are interrelated, overlap and are often carried out simultaneously by managers. For example, while directing current work, a manager may plan the next period's work and monitor present performance. Management therefore continues throughout the life of the organisation.

Step 3: Conclusion Management is intangible because its presence is felt through results, employee satisfaction and orderly functioning. It is continuous because its interrelated functions are performed on an ongoing basis as organisational work proceeds.

Quick Tip to Solve: Link intangible management to visible results, and continuous management to the repeated, overlapping performance of planning, organising, staffing, directing and controlling.

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

Identify and explain the four non-financial incentives discussed in the above case. [4 marks]

Solution:

Concept:

- Non-financial incentives primarily satisfy employees' psychological, social and emotional needs, including achievement, recognition, growth and security.
- Under Directing, such incentives motivate employees through the nature of their work and the treatment they receive, rather than merely through a higher pay package.

Step 1: Identify job enrichment and career advancement **Job enrichment:** Kapila's job has "greater variety of work content requiring higher level of knowledge and skill" and offers personal growth. Job enrichment means designing a job with richer, more challenging content and opportunities to use abilities. It makes work meaningful and interesting and gives the employee a sense of achievement from performing the job itself.

Career advancement opportunity: The company has "appropriate skill development programmes and a sound promotion policy", so Kapila receives promotions year after year. Providing opportunities for learning and advancement satisfies employees' growth needs. Training prepares employees for higher responsibilities, while a fair promotion policy gives them an incentive to improve their performance and develop their potential.

Step 2: Identify employee recognition and job security **Employee recognition programmes:** Kapila's work is "being appreciated by the management from time to time", and her valuable suggestions are rewarded. Recognition acknowledges an employee's good performance and contribution. Appreciation, praise and recognition of useful suggestions satisfy the need for esteem and encourage the employee to continue contributing effectively.

Job security: The company "implements measures to ensure stability of the employees in the organisation". Job security gives employees confidence about the continuity of their employment. It reduces insecurity about future income and work, helping them concentrate on their duties and strengthening their willingness to remain with the organisation.

Step 3: Conclusion The four non-financial incentives are **job enrichment, career advancement opportunity, employee recognition programmes and job security**. Together they explain why Kapila stays with Cresa Engineering Solutions despite offers of higher pay elsewhere.

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

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

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

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

[4 marks]

Solution:

Concept:

- Controlling compares actual performance with established standards, identifies deviations and enables corrective action so that organisational objectives are achieved.
- A control system also provides feedback about the suitability of the standards themselves. The two relevant benefits here are accomplishing organisational goals and judging accuracy of standards.

Step 1: Explain accomplishing organisational goals **Accomplishing organisational goals:** The case states that the control system helps Pestle "measure progress towards its goals and brings to light the deviations, if any". Controlling measures actual performance against the planned standards and identifies differences between the two. Management can then investigate the causes of significant deviations and take corrective action. Thus, activities are brought back on the intended course and the organisation is guided towards its objectives. For Pestle, monitoring biscuit quality against its standards supports the goal of providing high-quality products and satisfying customers. Merely setting a quality objective would not reveal whether that objective was actually being met; control supplies that feedback.

Step 2: Explain judging accuracy of standards **Judging accuracy of standards:** The case says the system enables management "to verify whether the standards set are accurate and objective or not". A good control system compares results with standards and helps management judge whether those standards are appropriate. While examining deviations, management may find that the standards were unrealistic, unsuitable or based on assumptions that no longer hold. In the light of changes in the organisation and its environment, standards can then be reviewed and revised where necessary. This ensures that future performance is assessed against sound, objective benchmarks. Therefore, control evaluates both actual performance and the accuracy of the benchmarks used to evaluate it.

Step 3: Conclusion The two points highlighted are **accomplishing organisational goals** and **judging accuracy of standards**. Pestle's control system tracks progress and deviations while also checking whether the standards used for comparison are accurate and objective.

Quick Tip to Solve: "Progress towards goals" signals accomplishing organisational goals; "accurate and objective standards" signals judging accuracy of standards. Quote each clue before explaining it.

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

(i) Customer Value

(ii) Exchange Mechanism [4 marks]

Solution:

Concept:

- Marketing is a social process through which individuals and groups obtain what they need and want by creating, offering and freely exchanging products and services of value.
- Customer value explains why a buyer prefers an offer; the exchange mechanism explains how the buyer and seller obtain what each desires.

Step 1: Explain customer value **(i) Customer Value:** A buyer chooses the product or service that offers the greatest value for the money spent. Value reflects the benefits perceived by the customer in relation to the cost of obtaining the product. Benefits may include usefulness, quality, convenience and service, while the customer also considers the price and effort involved in buying it. Therefore, the marketer must add to the value of the product so that customers prefer it to competing offers. For example, reliable performance and dependable after-sales service can make an appliance attractive to a buyer. Marketing succeeds by creating an offer that the customer regards as worth buying.

Step 2: Explain the exchange mechanism **(ii) Exchange Mechanism:** Marketing operates through the exchange of goods and services for money or something else of value. A buyer obtains satisfaction of a need, while the seller receives the agreed consideration. Exchange requires at least two parties, each possessing something valuable to the other and capable of communicating and delivering it. Both must be free to accept or reject the offer and willing to enter the transaction. Thus, it is a voluntary process rather than a forced transfer. For example, when a customer willingly pays a shopkeeper for a notebook, the customer receives the notebook and the shopkeeper receives money; both obtain something they value.

Step 3: Conclusion Customer value makes the marketing offer desirable to the buyer, while a voluntary exchange mechanism enables the buyer and seller to transfer their respective offerings and satisfy their needs.

Quick Tip to Solve: For customer value, explain why the buyer prefers the offer; for exchange, explain what each party gives and receives voluntarily.

OR

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

(i) Advertising

(ii) Public Relations [4 marks]

Solution:

Concept:

- Promotion mix is the combination of communication tools used by an enterprise to inform prospective customers about its products and persuade them to buy.
- Advertising communicates a paid message to a large audience, whereas public relations builds favourable relations and goodwill with the enterprise's various publics.

Step 1: Explain advertising **(i) Advertising:** Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The advertiser pays for space or time in media such as newspapers, television, radio or the Internet. It is non-personal because the message reaches an audience through a medium rather than through direct face-to-face contact with a salesperson. The sponsor is identified, so the audience knows who is making the offer. Advertising can reach a large number of geographically dispersed buyers and convey information about a product's availability, features and benefits. Repeated messages can also persuade and remind customers, supporting the enterprise's sales efforts.

Step 2: Explain public relations **(ii) Public Relations:** Public relations involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public. An enterprise seeks favourable relations with customers, employees, shareholders, suppliers, the government, the media and the wider community. Activities may include press relations, corporate communication, community programmes and the handling of unfavourable publicity. For example, providing accurate information to the press and explaining the firm's activities can build understanding and trust. Its purpose is to develop goodwill and a favourable image, creating a supportive environment for the firm's business. Public relations is broader than merely obtaining publicity for a product.

Step 3: Conclusion Advertising is paid, non-personal promotion by an identified sponsor. Public relations develops and protects the firm's image and goodwill among its various publics. Both contribute to effective marketing communication.

Quick Tip to Solve: Remember the three identifiers of advertising: paid, non-personal and identified sponsor. Link public relations with image, goodwill and the firm's publics.

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

Identify and explain the three principles of management given by Henri Fayol which can help in addressing the challenges faced by the company. [6 marks]

Solution:

Concept:

- Fayol's principles guide managerial conduct and help establish clear authority, orderly communication and cooperation.
- Unity of command concerns one employee receiving orders from one superior; scalar chain concerns the formal line of authority; esprit de corps concerns team spirit.

Step 1: Establish unity of command **Unity of command:** Each employee should receive orders from, and be responsible to, only one superior. In the case, the Production Manager asks workers to "speed up the work", while the Sales Manager asks the same workers to "slow down the production". These conflicting orders violate unity of command and create confusion about whose instructions to follow. The production workers should receive instructions through their designated superior. The two managers should coordinate their requirements through the appropriate management channel, rather than issue contradictory orders directly to the same employees. This fixes responsibility and prevents conflict of authority.

Step 2: Use the scalar chain with a gang plank in emergencies **Scalar chain:** The formal line of authority and communication runs from the highest rank to the lowest rank. Ordinarily, communication should follow this chain so that responsibility and authority remain clear. However, rigid adherence can cause delay in urgent situations. Here, "even in case of emergencies" a worker cannot contact the Chief Executive Officer directly. Fayol permits a **gang plank**, a shorter direct route of communication in an emergency, to avoid delay while keeping the concerned superiors informed. The company should clarify its normal reporting relationships and permit the appropriate emergency shortcut, rather than allow the chain to obstruct urgent action.

Step 3: Build esprit de corps **Esprit de corps:** Management should promote unity and harmony among employees, replacing an attitude of "I" with "we". The clue is the need to promote "team spirit of unity and harmony". Managers should encourage cooperation, mutual trust and a sense of belonging, instead of departmental rivalry or a divide-and-rule approach. Common goals and recognition of collective effort can unite the production and sales departments. Such team spirit improves morale and helps employees work together towards the company's objectives.

Step 4: Conclusion The three relevant principles are **unity of command**, **scalar chain with a gang plank for emergencies**, and **esprit de corps**. Together, they address conflicting orders, communication delays and the lack of team spirit at Marut Enterprises.

Quick Tip to Solve: Link each case clue to its principle: two bosses giving orders means unity of command; emergency communication means scalar chain and gang plank; unity and harmony mean esprit de corps.

32(a). Explain any four limitations of Planning function of management. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what to do, how to do it, when to do it and who will do it. It provides direction, but its effectiveness has practical limitations.
- Plans are based on assumptions about future conditions. They also require resources and can constrain action when treated as fixed instructions.

Step 1: Explain rigidity and environmental uncertainty **1. Planning leads to rigidity:** A well-defined plan specifies goals, activities and methods in advance. Once it is adopted, managers may insist on following it even when conditions call for a different course of action. Employees then have less freedom to depart from the prescribed method. A fixed plan can therefore reduce the flexibility needed to handle unforeseen changes. For example, continuing an old production schedule despite a change in demand may prevent a timely response.

2. Planning may not work in a dynamic environment: Business operates amid changing economic, social, political, legal and technological conditions. Planning cannot accurately foresee every change in these external forces. A plan based on one set of assumptions may become unsuitable when those assumptions change. An unexpected change in government policy or technology can make an otherwise carefully prepared plan ineffective. Planning therefore cannot remove all uncertainty about the future.

Step 2: Explain the restrictions on creativity and the cost involved **3. Planning reduces creativity:** In many organisations, top management prepares plans and lower levels mainly implement them. Employees may be expected to carry out established instructions rather than develop and use their own ideas. When they neither participate in planning nor have scope to depart from it, initiative and original thinking can be discouraged. Thus, excessive reliance on centrally prepared plans can restrict the creativity of people who are close to day-to-day operations.

4. Planning involves huge costs: Preparing plans requires collecting information, conducting research, analysing alternatives and sometimes obtaining expert advice. Managerial time, surveys and investigations also cost money. These expenses are incurred before implementation produces benefits. If the expected gains from a plan do not justify the expenditure on preparing it, the planning exercise becomes uneconomical. Management must therefore compare the likely benefits with the cost of planning.

Step 3: Conclusion Four limitations of planning are that it **leads to rigidity**, **may not work in a dynamic environment**, **reduces creativity**, and **involves huge costs**. Managers must recognise these

limitations while preparing and implementing plans.

Quick Tip to Solve: Keep the first two limitations distinct: rigidity is an internal reluctance to change the plan, whereas a dynamic environment concerns unpredictable changes outside the organisation.

OR

32(b). Explain any four points of importance of 'Delegation'. [6 marks]

Solution:

Concept:

- Delegation means entrusting responsibility and authority to a subordinate to carry out a task. The superior retains accountability for the overall result.
- Delegation makes work possible through others and develops the organisation's capacity. Its importance extends beyond reducing a superior's workload to improving employee capability and motivation.

Step 1: Explain its contribution to managerial work and employee capability

- **Effective management:** Delegation allows managers to share their workload with subordinates. When routine tasks and the necessary authority are entrusted to others, managers can concentrate on important matters requiring their judgement, such as setting priorities and dealing with exceptions. They can therefore function more efficiently instead of becoming a bottleneck for every decision.
- **Employee development:** Employees get opportunities to use their skills, exercise judgement and take decisions within the authority given to them. Handling responsibility provides practical experience and helps them acquire new abilities. They learn through doing, become more capable and are better prepared to accept greater responsibility in the future.

Step 2: Explain its motivational and growth benefits

- **Motivation of employees:** Responsibility and authority communicate the superior's trust in the employee. Being entrusted with meaningful work gives employees recognition and strengthens their confidence, self-esteem and sense of achievement. This encourages them to take initiative and contribute more effectively to organisational objectives.
- **Facilitation of growth:** Delegation develops a pool of trained and experienced managers who can accept new positions and responsibilities. When the organisation expands or starts new activities, these employees can take charge of the additional work. Expansion is thus easier because it is supported by people already prepared for larger roles.

Step 3: Conclusion Four points of importance of delegation are effective management, employee development, motivation of employees and facilitation of growth. Delegation both frees managerial time and prepares employees to contribute with greater competence and commitment.

Quick Tip to Solve: Link each heading to its distinct benefit: managerial time, employee skills, employee confidence and readiness for expansion. Explain the link rather than merely listing the headings.

33(a). Explain any four semantic barriers to communication. [6 marks]

Solution:

Concept:

- Semantic barriers arise from problems in the meaning and interpretation of words, signs and symbols used in communication. The receiver may understand a message differently from what the sender intended.
- A message must be encoded in suitable language and decoded in the intended sense. Poor expression, multiple meanings, translation difficulties and unexplained assumptions can interrupt this process.

Step 1: Explain barriers caused by expression and word meaning

- **Badly expressed message:** A manager may fail to convey the intended meaning clearly because the message uses inadequate vocabulary, inappropriate words, omissions or a poor arrangement of ideas. Even when the manager knows what is to be communicated, an unclear or poorly framed message confuses the receiver. For example, an instruction to complete a task "soon" gives no clear deadline.
- **Symbols with different meanings:** A word or symbol can have several meanings, and the receiver may choose a meaning different from the sender's intention. Words must therefore be understood in their context. For example, "value" may refer to a price or to a principle of conduct; using it without sufficient context can cause a misunderstanding.

Step 2: Explain barriers caused by translation and hidden assumptions

- **Faulty translations:** In an organisation, a message may have to be translated from one language into another before it reaches the receiver. If the translator does not know both languages well, words, expressions or the intended emphasis may be translated incorrectly. The translated instruction can then convey a different meaning from the original message, leading to an incorrect response.
- **Unclarified assumptions:** A message may rest on assumptions that the sender treats as understood but does not explicitly state. If the receiver does not share those assumptions, the same message is interpreted differently. For example, a manager who asks for a report may assume that the employee knows the required reporting period and format; leaving these unstated can produce the wrong report.

Step 3: Conclusion Four semantic barriers are badly expressed messages, symbols with different meanings, faulty translations and unclarified assumptions. Each interferes with the intended meaning of a message, so the receiver's understanding may differ from the sender's intention.

Quick Tip to Solve: For semantic barriers, focus on the meaning of the message. State the NCERT heading and explain exactly how language or interpretation can change what the receiver understands.

OR

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

(i) Selection

(ii) Placement and Orientation

(iii) Training and Development [6 marks]

Solution:

Concept:

- Staffing means putting people to jobs. It involves finding suitable employees, placing them in appropriate positions and developing their abilities so that organisational work is performed effectively.
- Selection chooses suitable applicants; placement and orientation help the selected person settle into work; training and development improve present performance and future capability.

Step 1: Explain selection **Selection:** It is the process of choosing the best person from the pool of prospective candidates developed through recruitment. The organisation assesses applicants against the requirements of the job and eliminates unsuitable candidates. It therefore seeks the right person for the right job rather than merely filling a vacancy. Depending on the position, assessment may involve preliminary screening, selection tests, an employment interview, reference and background checks and a medical examination. The final choice is communicated through a job offer and appointment formalities. A sound selection decision improves performance and reduces the costs of an unsuitable appointment.

Step 2: Explain placement and orientation **Placement:** This refers to the employee occupying the position or post for which the person has been selected. It assigns the employee to a definite job with its duties and responsibilities, matching the person's qualifications and abilities to the work.

Orientation: This is the introduction of the newly selected employee to other employees and familiarisation with the organisation's rules and policies. The newcomer learns about the workplace, reporting relationships, working arrangements and expected conduct. This reduces the uncertainty of entering an unfamiliar organisation and helps the employee become comfortable and productive.

Step 3: Explain training and development **Training:** It is a systematic process of increasing an employee's knowledge, skills and abilities for performing a particular job. Its focus is improved performance in the current assignment, for example learning how to operate equipment or follow a work procedure correctly.

Development: It concerns the overall growth of employees and prepares them for greater responsibilities and future positions. It has a broader and longer-term focus than training, developing capacities such as judgement and managerial ability. Together, training and development help employees adapt to change, improve efficiency and progress in their careers while strengthening the organisation's human resources.

Step 4: Conclusion Selection chooses suitable people, placement assigns their jobs, orientation introduces the organisation, and training and development build the abilities needed for present and future responsibilities. These staffing steps therefore connect appointment with effective performance and continuing growth.

Quick Tip to Solve: Keep the sequence clear: choose the person, assign and introduce the job, then improve present skills and future capabilities.

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

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

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

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

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

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

Solution:

Concept:

- Trading on equity is the use of fixed-interest debt to increase the earnings available per equity share. It is favourable when the return earned on the funds exceeds their interest cost.
- Compare the alternatives using earnings per share (EPS): profit after interest and tax divided by the number of equity shares. Interest is deducted before calculating tax; dividends are not deducted in this calculation.

Step 1: Calculate the shares and interest under each option Both options finance the same expansion of Rs 30,00,000. Under Option I, the entire amount comes from shares of Rs 10 each, so the number of shares is 3,00,000 and interest is nil. Under Option II, equity of Rs 10,00,000 gives 1,00,000 shares. Its debt of Rs 20,00,000 carries annual interest of Rs 2,00,000. The smaller equity base can raise EPS, but the interest obligation remains payable even when the operating return falls.

Step 2: Compare earnings per share at a return of 12 percent At the given return, earnings before interest and tax are 12% of Rs 30,00,000, or Rs 3,60,000. Applying the tax rate of 30% gives the following working:

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

Choose Option II: The return of 12% exceeds the debt cost of 10%, so debt produces favourable trading on equity. In the comparison requested, Option II maximises shareholders' wealth through its higher EPS of Rs 1.12, against Rs 0.84 under Option I.

Step 3: Recalculate earnings per share if the return falls to 8 percent EBIT now falls to 8% of Rs 30,00,000, or Rs 2,40,000. The number of shares and the annual interest remain unchanged:

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

EPS will not improve through debt at 8%: The return is below the 10% interest cost, making trading on equity unfavourable. Option II yields only Rs 0.28 per share, compared with Rs 0.56 under Option I. EPS also falls under both options compared with the original 12% return; the fall is sharper for the debt-financed option because interest is a fixed charge.

Step 4: Conclusion (i) At 12% ROI, choose Option II: EPS is Rs 1.12 rather than Rs 0.84, because the return exceeds the debt cost. (ii) At 8% ROI, debt does not improve EPS: Option II gives Rs 0.28 against Option I's Rs 0.56, because the return is below the interest rate.

Quick Tip to Solve: Compare ROI with the interest rate first, then confirm with EPS after deducting interest and tax. Use each option's own number of equity shares.