CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/1/1

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 the questions carrying **3** marks may be from **50 to 75 words**.
(v) Answers to the questions carrying **4** marks may be in about **150 words**.
(vi) Answers to the questions carrying **6** marks may be in about **200 words**.
(vii) Attempt all parts of a question together.

1. Ritika wanted to buy a new washing machine. She visited 'Elec Duniya', a large electronics store. She saw there many different brands and models on display like KM, Neo, Unipool, INH etc.

The salesperson at the store explained the differences in quality, brand reputation and prices of different washing machines. Ritika could now compare fully automatic, semi-automatic, top load and front load washing machines. The salesperson encouraged her to take her time, check different brands and resolve her queries. Ritika also went to another shop nearby to compare prices and features of different washing machines.

After comparing all the available options, Ritika chose a 'Neo' front load washing machine because it offered the best features within her budget.

The consumer right exercised by Ritika in the above case is : [1 mark]

(A) Right to be heard

(B) Right to be assured

(C) Right to consumer education

(D) Right to seek redressal

Correct Answer: (B) Right to be assured

Solution:

Concept:

- Consumer Protection: right to be assured of access to a variety of goods and services at competitive prices.
- This right gives the consumer freedom to compare available alternatives and select the most suitable purchase.

Step 1: Identify the right from the case The right to be assured means access to a variety of products at competitive prices, with freedom to select the product best suited to the consumer. Ritika could inspect different brands and models, compare their features and prices, and choose within her budget. The case states that she selected the machine after 'comparing all the available options'.

Step 2: Check the alternatives Option (B) fits this freedom of choice. Option (A), the right to be heard, concerns representation and consideration of consumer complaints. Option (C), consumer education, concerns acquiring knowledge about consumer rights and remedies; the decisive fact here is Ritika's access to competing products and her choice. Option (D), seeking redressal, concerns remedies for loss or unfair treatment, neither of which is described.

Step 3: Conclusion The right exercised is the **right to be assured**. Hence, the correct option is (B).

Quick Tip to Solve: When the consumer compares competing products and freely selects one, look for the right to be assured.

2. The workers in Alpha manufacturing company were using traditional methods for production of metal parts. Since no standard procedure existed, workers relied on personal experience and guess work. As a result, productivity in the assembly line began to decline.

To improve productivity, the company hired a consultant specializing in scientific management. The consultant explained that there was only one best method to maximize efficiency and this method could be developed through proper study and analysis. He emphasized that the scientific method should replace the old method, that the workers were using.

So, to develop the scientific method, the consultant carefully investigated the traditional methods through work-study and by unifying the best practices, he developed a standard method that would be followed by everyone in the organization.

After applying scientific method, there was a three fold increase in productivity within six months.

The principle of scientific management which helped the company in increasing the productivity was : [1 mark]

(A) Science, not Rule of Thumb

(B) Harmony, Not Discord

(C) Cooperation, Not Individualism

(D) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

Correct Answer: (A) Science, not Rule of Thumb

Solution:

Concept:

- Principles of Management: Taylor's principle of Science, not Rule of Thumb.
- Scientific investigation identifies the best method of work and replaces decisions based on personal judgement alone.

Step 1: Identify the scientific approach The consultant replaces personal experience and guesswork with systematic investigation. The case says that 'there was only one best method' and that the consultant studied existing methods and unified the best practices into a standard method. This is Taylor's principle of Science, not Rule of Thumb: develop a scientifically tested method instead of relying on customary methods.

Step 2: Eliminate the other principles Option (A) directly describes this replacement. Option (B), Harmony, Not Discord, stresses a change in the attitude of management and workers towards each other. Option (C), Cooperation, Not Individualism, emphasises their joint efforts. Option (D) concerns scientific selection, training and development of every worker. These principles are valuable, but the case specifically links the improvement to the scientific study and standardisation of the method.

Step 3: Conclusion The principle is **Science, not Rule of Thumb**. Hence, the correct option is (A).

Quick Tip to Solve: Match the replacement of guesswork by a studied best method with Science, not Rule of Thumb.

3. Read the following statements carefully :

Statement – I : Consumers should get together and form themselves into consumer associations for protection and promotion of their interests.

Statement – II : The Consumer Protection Act provides for setting up a two-tier enforcement machinery for the redressal of consumer grievances.

With reference to given statements, choose the correct alternative from the following : [1 mark]

(A) Both the statements are true.

(B) Both the statements are false.

(C) Statement I is true, Statement II is false.

(D) Statement I is false, Statement II is true.

Correct Answer: (C) Statement I is true, Statement II is false.

Solution:

Concept:

- Consumer Protection: consumer organisations and the three-tier consumer grievance redressal machinery.
- Consumer associations promote collective interests, while District, State and National Commissions provide redressal.

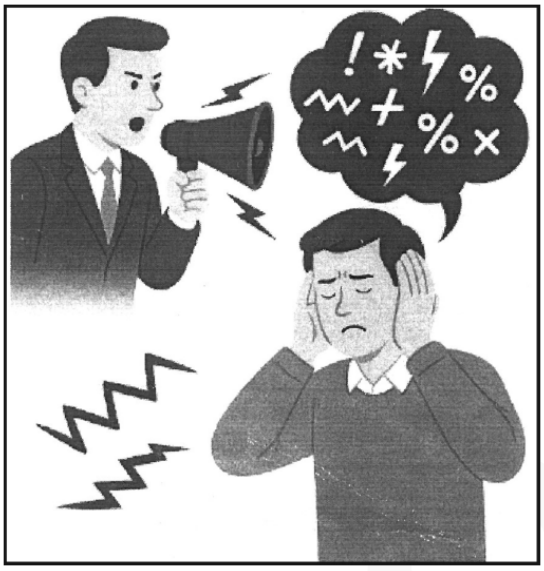
Step 1: Evaluate Statement I Statement I is true. Consumers should organise themselves into associations to protect and promote their interests. Such organisations can educate consumers, help them pursue complaints and represent their collective interests. Therefore, the recommendation that consumers form associations is consistent with consumer protection.

Step 2: Evaluate Statement II and the options Statement II is false. The redressal machinery has three tiers: District Commission, State Commission and National Commission. It is therefore incorrect to describe it as two-tier. Option (A) wrongly treats Statement II as true; option (B) wrongly treats Statement I as false; option (D) reverses the correct truth values. Only option (C) accepts Statement I and rejects Statement II.

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

Quick Tip to Solve: Recall the three levels in order: District, State and National; a two-tier claim is false.

4. Identify the element of communication process from the above picture : [1 mark]



(A) Feedback

(B) Media

(C) Noise

(D) Decoding

Correct Answer: (C) Noise

Solution:

Concept:

- Directing: noise as an element of the communication process.
- Noise interferes with communication; feedback is a response, media is the channel and decoding is interpretation.

Step 1: Interpret the picture The picture shows loud sounds and a receiver covering his ears. The distracting symbols and the receiver's discomfort point to an obstruction in communication. In the communication process, noise is any interference that hinders the sending, receiving or understanding of a message.

Step 2: Compare the four elements Option (C), Noise, describes the interference shown. Option (A), Feedback, would be the receiver's response communicated back to the sender. Option (B), Media, is the channel through which the message travels; although a loudspeaker is visible, the emphasis of the picture is the disturbance experienced by the receiver. Option (D), Decoding, means converting received symbols into an understood message, which is not the disturbance illustrated here.

Step 3: Conclusion The element illustrated is **Noise**. Hence, the correct option is (C).

Quick Tip to Solve: A disturbance that stops the receiver from hearing or understanding the message indicates noise.

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

Assertion (A) : Many enlightened business firms have set up their own consumer service and grievance cells.

Reason (R) : The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or service.

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

(A) Both Assertion (A) and Reason (R) are false.

(B) Assertion (A) is false and Reason (R) is true.

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

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

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

Solution:

Concept:

- Consumer Protection: business self-regulation and the consumer right to be heard.
- Consumer service and grievance cells provide an avenue for dissatisfied consumers to present their complaints.

Step 1: Judge the assertion Assertion (A) is true. Enlightened business firms undertake self-regulation by establishing consumer service and grievance cells. These cells receive complaints and help resolve consumers' difficulties concerning the firm's goods or services.

Step 2: Judge the reason Reason (R) is true. The right to be heard entitles a dissatisfied consumer to file a complaint and have the grievance considered. This right protects the consumer's opportunity to present a problem rather than simply accept unsatisfactory goods or services.

Step 3: Test the explanatory link and the options Reason (R) correctly explains Assertion (A): firms establish consumer service and grievance cells to provide a channel through which consumers can complain and be heard. Options (A) and (B) fail because the assertion is true, and (A) also wrongly rejects the reason. Option (C) accepts both statements but incorrectly denies this direct explanatory connection.

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

Quick Tip to Solve: For an assertion about grievance cells, connect their complaint-handling purpose to the right to be heard.

6. Sudha is a corporate executive and has to attend a felicitation function to be held in her office tomorrow. So she decides to colour her hair. On recommendation of her friend, she purchased 'NATURO' hair colour. After reading essential details such as shade, its ingredients, usage instructions and expiry date mentioned on the box, Sudha opened the box. She took out the colour tube and developer bottle from the box and threw away the box.

The level of packaging of box thrown away by Sudha was : [1 mark]

(A) Primary packaging

(B) Transportation packaging

(C) Secondary packaging

(D) General packaging

Correct Answer: (C) Secondary packaging

Solution:

Concept:

- Marketing Management: primary, secondary and transportation levels of packaging.
- Primary packaging is the immediate container; secondary packaging is the protective layer around it.

Step 1: Locate the box in the packaging levels Secondary packaging is the additional layer of protection that is usually discarded when the product is ready for use. Sudha removed the colour tube and developer bottle from the outer box and then threw the box away. The words 'took out the colour tube and developer bottle' distinguish the outer box from the immediate containers of the products.

Step 2: Test each alternative Option (C) is correct because the discarded box is secondary packaging. Option (A), Primary packaging, refers to the immediate containers, such as the colour tube and developer bottle. Option (B), Transportation packaging, refers to further packaging used for storage, identification and transportation, such as a corrugated carton holding several retail packs. Option (D), General packaging, is not the specific NCERT level described by this retail box.

Step 3: Conclusion The box is **secondary packaging**. Hence, the correct option is (C).

Quick Tip to Solve: Separate the immediate container from the outer retail box; the box removed before use is secondary packaging.

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

Assertion (A) : Money market instruments have a higher degree of liquidity as compared to capital market securities.

Reason (R) : Money market instruments are traded on the stock exchanges.

Choose the correct alternative from the alternatives 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 and Reason (R) is false.

(D) Assertion (A) is false and Reason (R) is true.

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

Solution:

Concept:

- Financial Markets: liquidity and trading arrangements of money market instruments.
- Money market instruments are short-term and highly liquid; their dealing generally occurs through institutional networks.

Step 1: Judge the assertion Assertion (A) is true. Money market instruments are highly liquid short-term instruments and can generally be converted into cash with little delay. In the textbook comparison, their liquidity is higher than that of capital market securities. Their short maturity and active institutional market help support this liquidity.

Step 2: Judge the reason Reason (R) is false. Money market instruments are generally dealt in through an informal network of banks, financial institutions and dealers, rather than being traded on stock exchanges as claimed. Stock exchanges are associated with the secondary market for capital market securities.

Step 3: Select the matching code Since the assertion is true and the reason is false, option (C) matches the correct truth values. Options (A) and (B) incorrectly accept the reason. Option (D) incorrectly rejects the assertion and accepts the reason. A false reason cannot explain the true assertion.

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

Quick Tip to Solve: Do not equate high liquidity with stock-exchange trading; money market dealing uses an institutional network.

8. Ravi purchased gold jewellery from a reputed jewellery store. He ensured that the jewellery had a hallmark which confirm its purity and authenticity. To avoid paying goods and services tax (GST) he asked the salesperson to write the gold weight and making charges on a slip of paper and hand over it to him.

Which of the following responsibilities of a consumer was not fulfilled by Ravi while purchasing jewellery ? [1 mark]

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

(B) Ask for a cash memo on purchase of goods and services.

(C) Buy only standardized goods as they provide quality assurance.

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

Correct Answer: (B) Ask for a cash memo on purchase of goods and services.

Solution:

Concept:

- Consumer Protection: consumer responsibilities include obtaining a cash memo as proof of purchase.
- Buying standardised goods gives quality assurance; a hallmark certifies the purity of gold jewellery.

Step 1: Identify the responsibility omitted Ravi asks for the weight and making charges on 'a slip of paper' to avoid GST. He does not ask for a proper cash memo. A cash memo records the purchase and supports a consumer complaint if a dispute arises. An informal slip does not fulfil this responsibility.

Step 2: Check the remaining options Option (C) is ruled out because Ravi checked the hallmark and thus sought quality assurance. Option (A) concerns awareness and intelligent choice; the case does not identify a failure to compare available goods. Option (D) concerns asserting oneself for a fair deal; no failure of this kind is described. The specific omission is the purchase document.

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

Quick Tip to Solve: In jewellery cases, separate checking the hallmark from obtaining a cash memo: each is a distinct consumer responsibility.

9. 'CARO Tech Solutions' aimed at development of a software system for the company's growing operations. The project was to be completed within six months with a budget of ₹ 12,00,000.

The software development team successfully completed its project on time by outsourcing a part of the project, leading to an additional expense of ₹ 2,00,000.

From the following, identify whether the software development team is : [1 mark]

(A) Efficient and Effective

(B) Efficient but not effective

(C) Effective but not efficient

(D) Neither efficient nor effective

Correct Answer: (C) Effective but not efficient

Solution:

Concept:

- Nature and Significance of Management: effectiveness means completing the assigned task and achieving the desired goal on time.
- Efficiency means completing the task with minimum cost and optimum use of resources.

Step 1: Judge achievement of the objective The team 'successfully completed its project on time'. It developed the required software within the six-month deadline, so it achieved the intended result. This establishes effectiveness even though part of the work was outsourced.

Step 2: Judge resource use and test the options The additional expense of Rs 2,00,000 took the cost above the budget of Rs 12,00,000. Hence, the team did not meet the cost target and was not efficient. Option (A) wrongly calls it efficient; option (B) reverses both judgements; option (D) wrongly denies effectiveness. Timely completion alone does not establish efficiency.

Step 3: Conclusion The software development team was effective but not efficient. Hence, the correct option is (C).

Quick Tip to Solve: Check the deadline for effectiveness and the budget for efficiency; meeting one does not automatically establish the other.

10. Due to severe winter and rising pollution levels, 'Green India Electronics' planned to launch a new eco-friendly heater in the market. It conducted a survey and found that the demand of this product was very high. As the winter season lasts only for 2 to 3 months, the Chief Executive Officer wanted that there should be close coordination among all the managers to deliver orders on time. Top level managers were asked to work in coordination with their subordinates to ensure that company's policies were properly followed. To ensure that the heaters would be ready on time, the production manager co-ordinated with the operational level managers. Operational level managers co-ordinated the activities of the workers to ensure that work proceeded according to plans. As a result 'Green India Electronics' was able to launch its heaters on time, in the market.

The feature of co-ordination discussed in the above case is : [1 mark]

(A) Co-ordination is a deliberate function.

(B) Co-ordination is the responsibility of all managers.

(C) Co-ordination is a continuous process.

(D) Co-ordination ensures unity of action.

Correct Answer: (B) Co-ordination is the responsibility of all managers.

Solution:

Concept:

- Nature and Significance of Management: coordination is the responsibility of all managers at top, middle and operational levels.
- Each managerial level integrates the work of the people and units within its authority to achieve organisational objectives.

Step 1: Match each level with its coordinating role The case says 'Top level managers were asked to work in coordination with their subordinates'. The production manager coordinates with operational managers, while 'Operational level managers co-ordinated the activities of the workers'. These examples explicitly cover responsibility at all managerial levels.

Step 2: Distinguish the other features Option (A) stresses conscious effort, whereas the repeated focus here is on who coordinates. Option (C) stresses an ongoing process through time; the case instead identifies the responsibilities of different levels. Option (D) describes the common purpose and integrated effort produced by coordination, but it does not capture the specific level-by-level emphasis of the case.

Step 3: Conclusion Coordination is the responsibility of all managers. Hence, the correct option is (B).

Quick Tip to Solve: When a case names top, middle and operational managers coordinating their teams, select responsibility of all managers.

11. 'Business environment keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competitors in the market.'

The feature of business environment highlighted in the above statement is : [1 mark]

(A) Totality of external forces

(B) Complexity

(C) Dynamic nature

(D) Relativity

Correct Answer: (C) Dynamic nature

Solution:

Concept:

- Business Environment: dynamic nature means that the external environment continually changes.
- Technological improvements, changing consumer preferences and the entry of competitors are examples of environmental change.

Step 1: Locate the decisive words The statement says the environment 'keeps on changing'. Its examples concern changes in technology, preferences and competition over time. They directly illustrate the dynamic nature of the business environment.

Step 2: Eliminate the other features Option (A), totality of external forces, means the environment comprises all forces outside the enterprise; it does not specifically describe change. Option (B), complexity, concerns the many interrelated forces and the difficulty of understanding their impact. Option (D), relativity, means the environment differs across countries and regions. Neither complexity nor geographical differences are the focus of this statement.

Step 3: Conclusion The feature is dynamic nature. Hence, the correct option is (C).

Quick Tip to Solve: Use the words "keeps on changing" to identify dynamic nature; use differences between places to identify relativity.

12. A position when a company is unable to meet its fixed financial charges like interest payment, dividend on preference shares and repayment obligations is referred to as _____ . [1 mark]

(A) Trading on equity

(B) Financial risk

(C) Business risk

(D) Operating risk

Correct Answer: (B) Financial risk

Solution:

Concept:

- Financial Management: financial risk is the possibility that a company cannot meet its fixed financial obligations.
- Fixed financial charges include interest and other committed payments associated with the financing

of the business.

Step 1: Identify the kind of obligation The question specifies interest payment, dividend on preference shares and repayment obligations. These are financial commitments. Inability to meet such fixed financial charges is the financial risk associated with the financing pattern of the company.

Step 2: Check why the alternatives do not fit Option (A), trading on equity, means using fixed-charge funds to improve the return to equity shareholders; it is not the name of inability to pay financial charges. Option (C), business risk, concerns the risk of insufficient operating profits arising from business activities. Option (D), operating risk, likewise relates to operations and operating costs. The explicit focus on financial commitments selects financial risk.

Step 3: Conclusion The position is referred to as financial risk. Hence, the correct option is (B).

Quick Tip to Solve: Look for interest and repayment obligations to identify financial risk; operating income uncertainty points to business risk.

13. Identify the incorrect statement with respect to the importance of planning function of management :

[1 mark]

(A) Planning provides directions by stating in advance how work is to be done.

(B) Planning eliminates uncertainty by looking ahead and anticipating changes.

(C) Planning facilitates decision making by making a choice among various alternative courses of action.

(D) Planning promotes innovative ideas as new ideas can take the shape of concrete plans.

Correct Answer: (B) Planning eliminates uncertainty by looking ahead and anticipating changes.

Solution:

Concept:

- Planning: looking ahead and anticipating changes reduces the risk of uncertainty, but cannot eliminate uncertainty.
- Planning provides direction, facilitates choice among alternatives and promotes innovative ideas.

Step 1: Find the excessive claim Option (B) claims that planning eliminates uncertainty. Planning helps managers anticipate future events and prepare responses, but forecasts may be inaccurate and external changes may remain outside managerial control. It therefore reduces the risks of uncertainty rather than eliminating uncertainty completely.

Step 2: Verify the other statements Option (A) correctly describes direction: plans tell employees in advance what to do and how. Option (C) correctly describes decision making: planning involves choosing among alternative courses of action. Option (D) is also correct because planning encourages new ideas and turns them into concrete plans. Since the question asks for the incorrect statement, these valid benefits must be excluded.

Step 3: Conclusion The incorrect statement is that planning eliminates uncertainty. Hence, the correct option is (B).

Quick Tip to Solve: In planning questions, treat the absolute word "eliminates" with care: planning reduces uncertainty but cannot remove it.

14. Organising is the process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results.

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

Arrange the steps of the process of organizing in the correct order : [1 mark]

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

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

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

(D) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing authority and reporting relationship

Correct Answer: (D) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing authority and reporting relationship

Solution:

Concept:

- Organising: the process begins with identification and division of work, followed by departmentalisation.
- After activities have been grouped, duties are assigned and authority and reporting relationships are established.

Step 1: Build the organising sequence First identify all activities required by the plan and divide the work into manageable tasks. Second, group related tasks into departments. Third, assign duties to people according to their abilities. Finally, clarify who reports to whom and establish authority relationships so that work can proceed in a coordinated manner.

Step 2: Test the offered sequences Option (D) follows all four steps in their logical order. Option (A) assigns duties before departmentalisation. Option (B) also assigns duties too early and leaves departmentalisation until after authority relationships. Option (C) groups work before identifying and dividing it, and establishes relationships before assigning duties. Each of those sequences disrupts the prescribed organising process.

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

Quick Tip to Solve: Remember the sequence as divide, group, assign and relate: identify tasks before forming departments or allocating duties.

15. Identify the feature of planning which states that the purpose of planning is to meet future events effectively to the best advantage of an organisation : [1 mark]

(A) Planning involves decision making

(B) Planning is futuristic

(C) Planning is a mental exercise

(D) Planning focuses on achieving objectives

Correct Answer: (B) Planning is futuristic

Solution:

Concept:

- Planning: the futuristic nature of planning.
- Use the NCERT definition and the wording of the question to distinguish closely related concepts.

Step 1: Identify the clue in the question Planning looks ahead and prepares an organisation to face future events. The words 'meet future events effectively' point directly to anticipating the future and deciding in advance how the organisation should respond.

Step 2: Check the other features Decision making means selecting the best alternative; a mental exercise involves intellectual thinking rather than guesswork. Focusing on objectives means directing plans towards predetermined goals. These are valid features of planning, but none specifically describes preparing for future events as closely as its futuristic nature does.

Step 3: Conclusion Planning is futuristic. Hence, the correct option is (B).

Quick Tip to Solve: When the clue emphasises anticipating future events, select the futuristic feature of planning.

16. Match the principle of management given in Column – I with its explanation given in Column – II :

Column – I	Column – II
(a) Discipline	(i) There should be one and only one boss for every individual employee in the organisation.
(b) Unity of direction	(ii) There should be a place for everything (everyone) and everything (everyone) should be in its (his/her) place.
(c) Order	(iii) There should be obedience to organisational rules and employment agreement which is necessary for the working of the organisation.
(d) Unity of command	(iv) Each group of activities having the same objective must have one head and one plan.

Choose the correct option from the following :

(a) (b) (c) (d) [1 mark]

(A) (iii) (iv) (i) (ii)

(B) (iv) (iii) (ii) (i)

(C) (iv) (iii) (i) (ii)

(D) (iii) (iv) (ii) (i)

Correct Answer: (D) (iii) (iv) (ii) (i)

Solution:

Concept:

- Principles of Management: Fayol's principles of discipline, unity of direction, order and unity of command.
- Use the NCERT definition and the wording of the question to distinguish closely related concepts.

Step 1: Match discipline and unity of direction **Discipline:** Obedience to organisational rules and the employment agreement gives (a)–(iii). **Unity of direction:** Activities with the same objective must have one head and one plan, giving (b)–(iv).

Step 2: Match order and unity of command **Order:** A place for everything and everyone, with each in the proper place, gives (c)–(ii). **Unity of command:** Each employee should receive orders from only one boss, giving (d)–(i). Option (A) interchanges the last two matches; (B) interchanges the first two; (C) interchanges both pairs. Only (D) matches all four correctly.

Step 3: Conclusion Discipline matches (iii), unity of direction matches (iv), order matches (ii), and unity of command matches (i). Hence, the correct option is (D).

Quick Tip to Solve: Remember: command concerns one boss for an employee; direction concerns one plan for a group of activities.

17. The step of controlling process which reveals the deviation between actual performance and desired results is : [1 mark]

(A) Setting performance standards

(B) Analysing deviations

(C) Taking corrective action

(D) Comparing actual performance with the standards

Correct Answer: (D) Comparing actual performance with the standards

Solution:

Concept:

- Controlling: comparison of actual performance with established standards.
- Use the NCERT definition and the wording of the question to distinguish closely related concepts.

Step 1: Identify the step that reveals a gap After standards have been set and actual performance has been measured, the manager compares actual performance with the standards. This comparison reveals whether actual results match desired results and brings any deviation to light.

Step 2: Distinguish the remaining steps Setting performance standards provides the benchmarks before comparison. Analysing deviations examines the significance and causes of differences already revealed. Taking corrective action removes the causes of unacceptable deviations. Therefore, these steps do not identify the initial comparison that reveals the gap.

Step 3: Conclusion Comparing actual performance with the standards reveals deviations. Hence, the correct option is (D).

Quick Tip to Solve: A gap is revealed by comparison; its cause is found by analysis, and its remedy is corrective action.

18. 'Certain provisions of the Companies Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividend.'

The factor affecting dividend decision discussed above is : [1 mark]

(A) Access to capital market

(B) Contractual constraints

(C) Legal constraints

(D) Stock market reaction

Correct Answer: (C) Legal constraints

Solution:

Concept:

- Financial Management: legal constraints as a factor affecting the dividend decision.
- Use the NCERT definition and the wording of the question to distinguish closely related concepts.

Step 1: Identify the source of the restriction The case refers to 'provisions of the Companies Act' and states that they must be followed when declaring dividends. Restrictions imposed by law are legal constraints, so the dividend decision must conform to these statutory provisions.

Step 2: Eliminate the other factors Access to the capital market concerns the ease of raising outside funds. Contractual constraints arise from agreements, such as restrictions imposed in a loan contract, rather than directly from legislation. Stock market reaction concerns the effect of the dividend decision on share prices. None is the statutory restriction described here.

Step 3: Conclusion The factor is legal constraints. Hence, the correct option is (C).

Quick Tip to Solve: Treat a reference to the Companies Act as a legal constraint; a loan agreement indicates a contractual constraint.

19. Read the following statements carefully :

Statement – I : Control should focus on key result areas which are critical to the success of an organization.

Statement – II : Only significant deviations which go beyond the permissible limit should be brought to the notice of management.

With reference to the given statements, choose the correct alternative from the following : [1 mark]

(A) Both the statements are true.

(B) Both the statements are false.

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

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

Correct Answer: (A) Both the statements are true.

Solution:

Concept:

- Controlling: critical point control and management by exception.

- Use the NCERT definition and the wording of the question to distinguish closely related concepts.

Step 1: Assess Statement I Statement I is true. Critical point control directs attention to key result areas that are vital to organisational success. Trying to monitor every activity with equal intensity wastes effort and can divert attention from the most important areas.

Step 2: Assess Statement II Statement II is true. Management by exception requires only significant deviations beyond permissible limits to be brought to management's attention. Routine variations within those limits need not be referred upwards. Option (B) wrongly rejects both principles; (C) wrongly rejects management by exception; (D) wrongly rejects critical point control.

Step 3: Conclusion Both the statements are true. Hence, the correct option is (A).

Quick Tip to Solve: Key result areas identify critical point control; deviations beyond permissible limits identify management by exception.

20. Which of the following is NOT an organisational barrier to communication ? [1 mark]

(A) Status

(B) Organisational facilities

(C) Lack of proper incentives

(D) Rules and regulations

Correct Answer: (C) Lack of proper incentives

Solution:

Concept:

- Directing: organisational and personal barriers to communication.
- Use the NCERT definition and the wording of the question to distinguish closely related concepts.

Step 1: Classify the exception Lack of proper incentives is a personal barrier to communication. If employees receive no motivation or incentive to communicate useful information, they may not take the initiative to share it. It is therefore the exception asked for in the question.

Step 2: Check the organisational barriers Status in the hierarchy may prevent subordinates from communicating freely with superiors. Inadequate organisational facilities can hinder the exchange of information. Rigid rules and regulations may delay communication or restrict channels. Thus (A), (B) and (D) are organisational barriers, whereas (C) is a personal barrier.

Step 3: Conclusion Lack of proper incentives is not an organisational barrier. Hence, the correct option is (C).

Quick Tip to Solve: For a NOT question, classify every choice first: lack of incentives is personal, while status, facilities and rules are organisational.

21. 'Riya Mart' is a company manufacturing disposable crockery. They have been in business for the past five years, but were not earning good profits. Concerned about this, the Chief Executive Officer (CEO), Verma, ordered an internal audit. The audit uncovered several issues like inventory pilferage, employees coming late and their performance not upto the mark. To stop inventory pilferage, Verma, the CEO, introduced surprise stock checks and installed an automated inventory management system to track stock movements. A biometric attendance system was also setup to keep a check on employees coming late. In addition to this, to motivate employees for better performance, they were told in advance what they are expected to do and what are their standards of performance. As a result of these steps, the inventory pilferage reduced, employees became more punctual and their performance improved.

(i) Identify and state the function of management performed by Verma, the Chief Executive Officer of the company.

(ii) State any two points of importance of the function identified in (i) above, which are not discussed in the above para. [3 marks]

Solution:

Concept:

- Controlling: the management function that ensures actual performance conforms to planned performance and helps the organisation achieve its objectives.
- The importance of controlling includes judging the accuracy of standards and facilitating coordination in action, besides improving resource use, motivation, order and discipline.

Step 1: (i) Identify and state the function **Controlling:** It means measuring actual performance against the standards, analysing deviations and taking corrective action to ensure the achievement of organisational objectives. Verma found deviations through the audit and acted to correct them. The case states that he introduced 'surprise stock checks' and a 'biometric attendance system' to check inventory losses and lateness. These measures show monitoring and corrective action under controlling.

Step 2: (ii) State two other points of importance

- **Judging accuracy of standards:** An efficient control system helps management verify whether the standards set are accurate and objective. By reviewing deviations in the light of changes in the organisation and its environment, managers can review and revise standards where necessary.
- **Facilitating coordination in action:** Controlling guides all activities and efforts towards organisational goals. Each department and employee works with predetermined standards, and their performance is reviewed, helping their efforts move together towards common objectives.

These two points are distinct from the inventory checks, employee discipline and motivation already discussed in the case.

Step 3: Conclusion The function is controlling. Two additional points of its importance are judging the accuracy of standards and facilitating coordination in action.

Quick Tip to Solve: When asked for points not discussed in a case, first eliminate the importance points already illustrated by its facts.

22. 'Soal Footwear Ltd.' is known for its high quality athletic shoes and casual sneakers. With increasing competition and changing consumer preferences, it decided to diversify its product range by adding clothing, bags and accessories under the same brand umbrella. This diversification aimed to capture a larger share of the market and increase customer loyalty.

(i) Suggest with reason which type of organisational structure will be suitable for 'Soal Footwear Ltd.'

(ii) State any two advantages of the organisational structure suggested in (i) above. [3 marks]

Solution:

Concept:

- Organising: divisional structure groups activities around products or product lines, with the necessary functions organised within each division.
- A divisional structure suits enterprises that produce a variety of products and need separate attention to each product line. Its advantages include clear accountability and the development of managerial skills.

Step 1: (i) Suggest the structure with a reason **Divisional structure:** This is suitable for Soal Footwear Ltd. The company decided to 'diversify its product range by adding clothing, bags and accessories'. As its products become varied, separate product divisions can give focused attention to footwear, clothing, bags and accessories. Each division can undertake the functions required for its product line, such as production, marketing and finance. This supports the management of a diversified range under the same company.

Step 2: (ii) State two advantages

- **Accountability for performance:** Revenue and costs relating to each division can be identified separately. Each division can function as a profit centre, so responsibility for its performance can be fixed. Management can assess divisional results and take appropriate remedial action when a division performs poorly.
- **Development of managerial skills:** A divisional head gains experience in several functions relating to a product, instead of specialising in only one function. This develops varied skills and prepares the head for higher managerial responsibilities in the future.

Step 3: Conclusion A divisional structure is suitable because the company is diversifying into multiple product lines. Clear accountability and the development of managerial skills are two advantages.

Quick Tip to Solve: Look for diversification into different products: it is a direct clue to grouping activities into product divisions.

23(a). State any three measures to improve communication effectiveness. [3 marks]

Solution:

Concept:

- Directing: communication is the process of exchanging information and understanding between people. Effective communication requires the receiver to understand the message in the sense intended by the sender.

- Measures to improve communication effectiveness address the message, its language and the confirmation of understanding through feedback.

Step 1: Clarify the idea before communicating

- **Clarify the ideas before communication:** The sender should first be clear about the purpose and content of the message. The issue to be communicated must be studied in depth, analysed and stated clearly. A manager who understands precisely what needs to be conveyed can arrange the message logically and avoid sending confused or contradictory instructions.

Step 2: Use suitable language and obtain feedback

- **Be aware of languages, tone and content of the message:** The language should be understandable to the receiver. Avoid technical jargon and difficult words unless the receiver understands them. The tone should suit the situation, and the content should be clear and precise, so that the intended meaning is conveyed without ambiguity.
- **Ensure proper feedback:** The sender should encourage the receiver to respond to the message and ask questions. This response enables the sender to check whether the receiver has understood it correctly. If the response reveals a misunderstanding, the sender can explain or clarify the message promptly and complete the communication process effectively.

Step 3: Conclusion Three measures are clarifying ideas before communication, using suitable language, tone and content, and ensuring proper feedback.

Quick Tip to Solve: For each communication measure, state the action and explain how it improves the receiver's understanding of the message.

OR

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

Solution:

Concept:

- Directing: leadership is the process of influencing the behaviour of people so that they strive willingly and enthusiastically towards organisational goals.
- The NCERT features of leadership explain how a leader influences followers through interpersonal relations and directs their efforts towards a shared purpose.

Step 1: Influence and interpersonal relations Any three features may be stated. The first two are:

- **Ability to influence others:** Leadership indicates the ability of an individual to influence other people's behaviour. A leader encourages followers to act willingly towards the desired goals rather than relying only on formal authority.
- **Interpersonal relations:** Leadership tries to bring about a change in the behaviour of others. It therefore involves interpersonal relations between the leader and the followers; leadership cannot exist without people who follow.

Step 2: Work towards organisational goals

- **Common organisational goals:** Leadership is exercised to achieve common goals of the organisation. The leader directs and coordinates the efforts of followers towards these shared objectives rather than merely pursuing an unrelated personal purpose.

Step 3: Conclusion The three features are the ability to influence others, interpersonal relations between leader and followers, and achievement of common organisational goals.

Quick Tip to Solve: For features of leadership, state what leadership involves: influence, leader-follower relations and shared goals; avoid substituting a list of a leader's personal qualities.

24(a). State any three functions of middle level management. [3 marks]

Solution:

Concept:

- Nature and Significance of Management: middle level management links top management with supervisory or operational management and implements the plans and policies decided by top management.
- Middle level managers include departmental and divisional heads. Their functions translate broad organisational decisions into workable departmental action.

Step 1: Translate policies and secure personnel Any three functions of middle level management are:

- **Interpret top management's policies:** Middle level managers interpret the policies framed by top management for their departments. They translate broad plans into departmental plans so that the department's activities contribute to organisational objectives.
- **Ensure adequate personnel:** They ensure that their departments have the necessary personnel. They assess the staff required for departmental work and make sure suitable people are available to perform it.

Step 2: Assign duties and responsibilities

- **Assign necessary duties and responsibilities:** Middle level managers allocate the work of their departments to employees and specify the responsibilities associated with it. This makes clear who is expected to perform each task and helps implement departmental plans effectively.

Step 3: Conclusion Middle level managers interpret top management's policies, ensure that their departments have adequate personnel, and assign employees the necessary duties and responsibilities.

Quick Tip to Solve: Link each function to the department: middle managers interpret policies, obtain departmental staff and allocate work; top managers frame the overall policies.

OR

24(b). State any three features of 'Demonetisation'. [3 marks]

Solution:

Concept:

- Business Environment: demonetisation refers to the withdrawal of the legal tender status of currency. The NCERT discussion examines it as a policy measure affecting the economic environment of business.
- Its features include its role as a tax administration measure, the signal it sends about tax evasion and its effect on bringing savings into the formal financial system.

Step 1: Tax administration and the message to evaders Any three features of demonetisation are:

- **A tax administration measure:** Cash accumulated out of declared income could readily be deposited in banks and exchanged for new notes. People holding unaccounted cash from undeclared income faced difficulty and scrutiny when bringing it into the banking system.
- **A signal against tax evasion:** It signalled that tax evasion would no longer be tolerated or accepted. The measure conveyed that holders of unaccounted cash could face consequences, encouraging compliance with tax laws.

Step 2: Channel savings into the formal system

- **Channelisation of savings into the formal financial system:** Demonetisation led people to deposit cash in bank accounts. This brought savings into the formal financial system, where they could be mobilised and used for further lending and productive economic activity.

Step 3: Conclusion Three features are its use as a tax administration measure, its strong signal against tax evasion, and the channelisation of savings into the formal financial system.

Quick Tip to Solve: Recall the NCERT features through tax administration, the message against evasion and formal savings; distinguish these from merely defining the withdrawal of legal tender.

25. 'Sheetal Cosmetics Ltd.', is a fast growing beauty and skin care company known for its innovative products and aggressive market expansion. As the company increased its marketing activities like new product launches, accelerated advertising campaigns, social media promotions and influencer collaborations etc., the workload of the marketing department grew sharply. Despite working long hours, the marketing manager Arjun couldn't give adequate attention to strategic planning and high impact decisions as minor operational issues began consuming most of his time. Noticing this, the Chief Executive Officer (CEO) advised Arjun that it was now impractical for him to handle the entire volume of work alone, so he should allow his subordinates to take up routine tasks. This would not only help him manage his time better but also satisfy the subordinate's need for recognition. This will also provide opportunities to the subordinates to develop and exercise initiative.

(i) Identify the concept suggested by CEO that will help Arjun to manage volume of work effectively.

(ii) State any three points of importance of the concept identified in (i) above. [4 marks]

Solution:

Concept:

- Organising: delegation is the transfer of authority from a superior to a subordinate to carry out assigned work. It involves assignment of responsibility, grant of authority and creation of accountability.
- Delegation enables a manager to share work while retaining ultimate accountability for its satisfactory performance.

Step 1: (i) Identify delegation The concept suggested by the CEO is **delegation**. The advice that Arjun "should allow his subordinates to take up routine tasks" indicates assigning work to subordinates, together with the necessary authority to perform it. Arjun can thereby share his workload instead of personally attending to every operational matter.

Step 2: (ii) State three points of importance

- **Effective management:** Delegation reduces the manager's workload and allows attention to important matters. Here, it would free Arjun from minor operational issues so that he can focus on strategic planning and high impact decisions, improving his effectiveness.
- **Motivation of employees:** Entrusting employees with responsibility and authority demonstrates confidence in them. It fulfils their need for recognition, raises their self-esteem and encourages them to perform better. The case expressly mentions satisfying the subordinate's "need for recognition".
- **Employee development:** Delegation gives employees opportunities to use their abilities, make decisions and gain experience. They develop new skills and become capable of handling more challenging responsibilities. This is reflected in the opportunities "to develop and exercise initiative" mentioned in the case.

Step 3: Conclusion The concept is **delegation**; its importance includes effective management, motivation of employees and employee development.

Quick Tip to Solve: Link routine work being passed down to delegation; use the case's time, recognition and initiative clues for its three benefits.

26(a). State any four merits of internal source of recruitment. [4 marks]

Solution:

Concept:

- Staffing: internal sources of recruitment fill vacancies from among the organisation's existing employees, principally through transfers and promotions.
- Internal recruitment uses employees already known to the enterprise and provides opportunities for their movement and advancement within it.

Step 1: Explain motivation and simpler selection

- **Motivates employees:** The prospect of promotion encourages employees to improve their performance and abilities. They can see a career path within the organisation, which strengthens their commitment and desire to work efficiently.
- **Simplifies selection and placement:** The organisation already knows the abilities, experience and performance of its employees. It can therefore assess their suitability for a vacancy more reliably and readily. Recruitment within the enterprise is also less costly than attracting and selecting candidates from outside.

Step 2: Explain preparation for higher jobs and adjustment of staff

- **Prepares employees for higher positions:** Transfers give employees experience in different jobs and departments. This broadens their knowledge of the enterprise and serves as a means of training them for higher responsibilities without necessarily changing their status immediately.
- **Balances surplus and shortage of personnel:** Employees can be transferred from departments with surplus staff to departments facing shortages. This helps the organisation make better use of its existing workforce and meet staffing needs without recruiting additional employees from outside.

Step 3: Conclusion Four merits of internal recruitment are employee motivation, simpler selection and placement, preparation for higher positions through transfers, and adjustment of surplus and shortage of staff.

Quick Tip to Solve: For four merits, use four distinct headings: motivation, simpler selection, training through transfers and balancing staff across departments.

OR

26(b). State any four benefits of training to the employees. [4 marks]

Solution:

Concept:

- Staffing: Training and development improve employees' knowledge, skills and abilities for their present work and future responsibilities.
- Benefits of training to employees include career growth, higher earnings, greater safety, and improved satisfaction and morale.

Step 1: Career opportunities and earnings

- **Better career opportunities:** Training improves employees' skills and knowledge. This equips them to perform their present jobs competently and prepares them to handle more responsible assignments. Consequently, their prospects of promotion and growth in their careers improve.
- **Higher earnings:** Training improves employees' efficiency and performance. As employees become capable of producing better results, they can earn more through improved performance. Thus, the benefit of increased productivity can also reach the employee in the form of higher earnings.

Step 2: Safety and employee morale

- **Greater safety:** Training teaches employees the correct methods of handling machines, materials and equipment. Employees learn safe operating procedures and precautions, reducing the chance of accidents at work. It therefore makes employees more efficient in handling machines and less accident-prone.
- **Increased satisfaction and morale:** With better skills and a clearer understanding of their work, employees can carry out their duties more confidently and successfully. This increases their job satisfaction and morale, as they feel more capable and better prepared for their responsibilities.

Step 3: Conclusion The four benefits of training to employees are better career opportunities, higher earnings, greater safety, and increased job satisfaction and morale.

Quick Tip to Solve: When the question says benefits to employees, focus on their career, earnings, safety and morale rather than benefits to the organisation.

27(a). Explain the following points of importance of planning :

(i) Planning establishes standards for controlling

(ii) Planning reduces overlapping and wasteful activities [4 marks]

Solution:

Concept:

- Planning: Importance of planning, particularly its role in establishing standards for controlling and reducing overlapping and wasteful activities.
- Planning decides objectives and the course of action in advance. These decisions guide coordinated work and provide the targets against which actual performance can be assessed.

Step 1: Planning establishes standards for controlling

- **Sets the standards:** Planning determines the objectives to be achieved and the activities needed to achieve them. These planned objectives become the standards against which actual performance is measured. For example, a planned production target supplies the benchmark for checking actual output.
- **Makes control possible:** Controlling compares actual results with the planned standards, identifies deviations and enables corrective action. Without a prior plan, there would be no clear basis for judging whether performance is satisfactory. Thus, planning provides the basis of control, while control checks whether plans are being implemented as intended.

Step 2: Planning reduces overlapping and wasteful activities

- **Coordinates efforts:** Planning clearly specifies what is to be done and how activities are related. It serves as the basis for coordinating the efforts of different departments and individuals. This clarity reduces confusion and misunderstanding and prevents unnecessary duplication of the same work.
- **Eliminates waste:** By making the means and ends clear, planning helps work proceed smoothly. Activities are examined in relation to the intended objectives, so redundant or unnecessary activities can be identified and removed. As a result, resources and effort are used more effectively instead of being wasted on overlapping tasks.

Step 3: Conclusion Planning supplies standards that make controlling possible and clarifies and coordinates activities so that duplication, confusion and waste are reduced.

Quick Tip to Solve: Link controlling to planned targets and comparison; link reduced waste to clarity, coordination and removal of duplicated activities.

OR

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

(i) Objective

(ii) Method [4 marks]

Solution:

Concept:

- Planning: types of plans include objectives, which state the ends to be achieved, and methods, which prescribe the manner of performing a task.
- Objectives give direction to organisational activities; methods guide the execution of particular activities in a standard way.

Step 1: (i) Objective

- **Meaning:** An objective is the end result which management seeks to achieve through its operations. It indicates what the organisation wants to accomplish and provides the destination towards which its activities are directed.
- **Role in planning:** Objectives are normally set by top management and form the basic starting point of planning. Other plans are prepared to achieve them. They should be stated clearly, preferably in specific and measurable terms, so that actual performance can be compared with the desired result. For example, increasing sales by ten per cent during the next year is an objective.

Step 2: (ii) Method

- **Meaning:** A method provides the prescribed way or manner in which a task has to be performed, considering the objective. It deals with a particular step of a procedure and specifies how that step should be carried out.
- **Purpose and selection:** The method selected may vary from task to task. Selection of the proper method saves time, money and effort and increases efficiency. For example, an organisation may use on-the-job training to train workers in operating a machine. This specifies the manner of

training, whereas the objective specifies the result sought from training.

Step 3: Conclusion An **objective** states the desired end result of organisational operations, while a **method** prescribes how a particular task is to be performed to help achieve that result.

Quick Tip to Solve: Link objective with the question "What result is required?" and method with "How will this particular task be done?"

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28. Rajiv was on the board of directors of 'Tako Solutions', a software development company and 'Sabka Mart Retail', a large supermarket chain. He wanted to apply management principles in both the companies to improve efficiency and profitability.

He knew that management principles can be applied as much to 'Tako Solutions' as to 'Sabka Mart Retail' though the extent to which the principles can be applied will differ, because the nature of work, scale of operations and business activities in a software firm and a supermarket chain are not the same.

Rajiv also knew that the management principles would not provide readymade solutions because real world situations faced by the two companies were very complex and dynamic. Still, he believed that even small guidelines could help in solving many problems and will improve the way both companies worked.

Identify and explain the two points that highlight the nature of principles of management, in the above case. [4 marks]

Solution:

Concept:

- Principles of Management: management principles are broad and general guidelines for managerial decisions and behaviour.
- Their nature includes universal applicability and their being general guidelines rather than ready-made solutions to every managerial problem.

Step 1: Identify and explain universal applicability

- **Case evidence:** Rajiv knew that management principles could be applied "as much to 'Tako Solutions' as to 'Sabka Mart Retail' though the extent to which the principles can be applied will differ".
- **Explanation:** Management principles apply to all types of organisations, irrespective of their size and nature, including business and non-business organisations. Thus, both the software development company and the supermarket chain can use them. However, the extent of their application varies with the nature of the organisation, its business activities, scale of operations and other circumstances. Universal applicability therefore permits their use in both companies while allowing for the differences in their work.

Step 2: Identify and explain general guidelines

- **Case evidence:** Rajiv knew that the principles "would not provide readymade solutions because real world situations faced by the two companies were very complex and dynamic". He nevertheless believed that "even small guidelines could help in solving many problems".

- **Explanation:** Principles of management provide general guidelines for action and managerial decisions. They do not offer readymade or straitjacket solutions to all problems. Real business situations are complex and dynamic and arise from many interacting factors. Managers must therefore use their judgement to apply the principles in the light of the prevailing circumstances. These guidelines can help Rajiv improve decisions and working in both companies without prescribing an identical solution to each problem.

Step 3: Conclusion The two points highlighting the nature of management principles are **universal applicability** and **general guidelines**.

Quick Tip to Solve: Use "both companies, but different extent" to identify universal applicability, and "no readymade solutions" to identify general guidelines.

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29. 'GW Industries', known for its paper products, decided to produce and launch a new line of sustainable packaging called 'EcoPac'.

As management is a complex activity, the Chief Executive Officer of the company translated the work into clear goals and assigned the means to achieve those. He knew that human resources are the greatest asset of an organization, so getting work done through them is also a major task. The production of high quality sustainable packaging also required a proper production process. This was put in place for managing the flow of input materials and technology to convert these materials into high quality sustainable packaging.

In this way 'GW industries' took care of various aspects for successful launch of 'EcoPac'.

A characteristic of management is discussed in the above case. Identify and explain the characteristic.

[4 marks]

Solution:

Concept:

- Nature and Significance of Management: management is multidimensional because it involves management of work, management of people and management of operations.
- These dimensions are interrelated: organisational goals require people to perform work through a suitable process that converts inputs into outputs.

Step 1: Identify the characteristic **Management is multidimensional:** Management is a complex activity with three main dimensions. The case brings together the work to be accomplished, the people who accomplish it and the production process through which the desired output is obtained. The CEO addresses all three for the launch of EcoPac.

Step 2: Explain management of work **Management of work:** Every organisation exists to perform some work. Management translates this work into goals to be achieved and assigns the means to achieve them. In GW Industries, the CEO "translated the work into clear goals and assigned the means to achieve those." This connects the proposed launch with definite objectives and the resources required to achieve them.

Step 3: Explain management of people **Management of people:** Human resources are an organisation's greatest asset. Management gets work done through people by dealing with employees

as individuals with diverse needs and behaviour, and also as members of a group. It directs their strengths towards organisational goals. The case states that "getting work done through them is also a major task," directly indicating this human dimension.

Step 4: Explain management of operations **Management of operations:** An organisation needs a production process involving the flow of input materials and technology to transform inputs into the desired output. This dimension is interlinked with management of work and people. GW Industries put a proper production process in place for "managing the flow of input materials and technology" to convert materials into high quality sustainable packaging.

Step 5: Conclusion The characteristic is **management is multidimensional**, illustrated by the management of work, people and operations in launching EcoPac.

Quick Tip to Solve: Match clear goals to work, employees to people, and conversion of materials into products to operations.

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30. 'Eco Care', a start-up, plans to launch a reusable water bottle for environmentally conscious millennials and Gen Z. For this, they conducted a market research to identify the needs of the customers so that an informed decision could be taken for successful marketing of the product. They wanted to work carefully on the design to make the bottle attractive to the target customers.

On the basis of consumer views and opinions, they developed a stylish stainless steel bottle with double wall insulation to keep beverages cold for 24 hours, giving it a competitive advantage in the market.

They named the bottle 'Eco-Sip' creating a brand identity focused on sustainability and simplicity. It would also help in product differentiation. The packaging was made using hundred percent recyclable cardboard, with details of sustainability, features, price etc. printed on it.

State the four functions of marketing that are carried out by 'Eco Care' in the above case. [4 marks]

Solution:

Concept:

- Marketing Management: functions of marketing include gathering and analysing market information, product designing and development, branding, and packaging and labelling.
- A case-based answer links each named function to the specific activity undertaken by the enterprise.

Step 1: Gathering and analysing market information **Gathering and analysing market information:** This function involves collecting and analysing information about customers' needs, preferences and other market conditions so that marketing decisions can be made effectively. Eco Care "conducted a market research to identify the needs of the customers" to take an informed decision about marketing its reusable bottle. Consumer views and opinions provided the information on which the product decisions were based.

Step 2: Product designing and development **Product designing and development:** This involves decisions about a product's design, quality, features and performance to make it attractive and useful to target customers. Eco Care wanted to "work carefully on the design" and developed a "stylish stainless steel bottle with double wall insulation." Its ability to keep beverages cold for 24 hours gave

the product a competitive advantage and helped meet the identified customer needs.

Step 3: Branding **Branding:** Branding involves giving a product a name, sign, symbol or other identity to distinguish it from competitors' products and enable customers to recognise it. Eco Care "named the bottle 'Eco-Sip' creating a brand identity focused on sustainability and simplicity." This name supports recognition and product differentiation in the market.

Step 4: Packaging and labelling **Packaging and labelling:** Packaging involves designing and producing the product's container or wrapper; labelling provides product information on it. Eco Care's packaging used "hundred percent recyclable cardboard," consistent with its sustainability positioning. Printing "details of sustainability, features, price etc." on the package represents labelling, which communicates relevant information to customers.

Step 5: Conclusion The four functions are **gathering and analysing market information; product designing and development; branding; and packaging and labelling**.

Quick Tip to Solve: Read the case as four clues: research, bottle design, the Eco-Sip name, and the cardboard package with printed information.

31. 'Koka Manufacturing Ltd.' is a large scale manufacturer in the electronics industry. In this industry assets are prone to obsolescence and their replacement becomes due faster with change in technology. The company is constantly under pressure to upgrade its machinery and equipment as it would help company to stay competitive, improve its product quality and reduce production costs. So instead of purchasing the machinery, company decides to lease the required machinery, giving it flexibility to upgrade equipment at the end of lease term. This helps company to maintain operational efficiency, technological competitiveness and financial flexibility.

Identify and explain four factors that would affect the fixed capital requirements of 'Koka Manufacturing Ltd.'.

[6 marks]

Solution:

Concept:

- Financial Management: fixed capital refers to investment in long-term assets such as land, buildings, plant and machinery. Decisions about these assets determine the funds committed for a long period.
- The nature and scale of operations, technology upgradation and financing alternatives affect fixed capital requirements. Each factor must be linked to the particular situation described in the case.

Step 1: Identify the nature of the business **Nature of business:** Koka is a "manufacturer in the electronics industry". A manufacturing concern generally requires more fixed capital than a trading concern because it needs plant, machinery and production facilities to convert inputs into finished goods. A trading concern mainly buys and sells ready-made goods and does not require comparable manufacturing facilities. Thus, Koka's manufacturing activity creates substantial fixed capital needs.

Step 2: Relate the scale of operations to asset investment **Scale of operations:** The case describes Koka as a "large scale manufacturer". An enterprise operating on a large scale generally needs larger premises, greater production capacity and more plant and machinery than an enterprise operating on

a small scale. Consequently, the amount of investment in fixed assets is higher. Koka's large scale of operations therefore increases its fixed capital requirements.

Step 3: Explain the effect of changing technology **Technology upgradation:** The case states that "assets are prone to obsolescence and their replacement becomes due faster with change in technology". Industries in which technology changes rapidly require funds to acquire updated assets and replace outdated machinery more frequently. This raises fixed capital requirements compared with industries in which assets remain technologically useful for longer periods. Koka must provide for such replacement to maintain product quality, cost efficiency and competitiveness.

Step 4: Explain how leasing changes the financing requirement **Financing alternatives:** Koka "decides to lease the required machinery" instead of purchasing it. Where assets are available on lease, the business can use them by paying lease rentals rather than committing the full purchase price at the outset. Availability of this alternative reduces the funds required for direct investment in fixed assets. For Koka, leasing also permits equipment upgradation at the end of the lease term and helps preserve financial flexibility, while the obligation to pay rentals continues.

Step 5: Conclusion The four factors are nature of business, scale of operations, technology upgradation and financing alternatives. Manufacturing on a large scale and rapid technological obsolescence increase Koka's fixed capital needs, while the availability of leasing reduces the funds tied up in purchasing machinery.

Quick Tip to Solve: Match the clues "manufacturer", "large scale", "obsolescence" and "lease" to the four textbook headings, then explain how each raises or reduces fixed capital needs.

32(a). Explain the following steps in the staffing process :

(i) Estimating manpower requirements

(ii) Selection

(iii) Placement and orientation [6 marks]

Solution:

Concept:

- Staffing: the staffing process ensures that the right number of persons with the required abilities occupy suitable positions in the organisation.
- Estimating manpower requirements determines staffing needs; selection chooses suitable applicants; placement and orientation put selected employees into their jobs and familiarise them with the organisation.

Step 1: Explain estimating manpower requirements **(i) Estimating manpower requirements:** This step assesses how many employees are required and what qualifications, skills and experience they should possess. It begins with understanding the jobs to be performed and the responsibilities attached to them. Two related analyses are undertaken:

- **Workload analysis:** It determines the number and type of human resources necessary for performing the various jobs and accomplishing organisational objectives.
- **Workforce analysis:** It examines the number and type of employees already available in the

organisation to identify whether it is understaffed, overstaffed or adequately staffed.

Comparing the requirement with the available workforce reveals the staffing gap. The organisation can then plan recruitment when there is a shortage or take suitable action when there is surplus staff. This avoids appointing people without first establishing the actual requirement.

Step 2: Explain selection **(ii) Selection:** Selection is the process of choosing the most suitable candidate from the applicants for a vacant position. The purpose is to match a person's abilities and suitability with the job requirements. Candidates are screened and assessed through appropriate methods such as preliminary screening, selection tests, interviews and reference checks. A selection decision is then made, followed by the required medical examination, job offer and contract of employment. Candidates who do not meet the requirements are eliminated at the relevant stages. Careful selection helps ensure that the organisation appoints competent people and avoids the costs of an unsuitable appointment.

Step 3: Explain placement and orientation **(iii) Placement and orientation:** These related activities follow selection and appointment.

- **Placement:** Placement refers to the employee occupying the position or post for which the person has been selected. The employee is assigned the appropriate job and its responsibilities so that work can begin in the intended role.
- **Orientation:** Orientation introduces the new employee to other employees and familiarises the person with the organisation's rules and policies. Information about the workplace, reporting relationships and general practices helps the newcomer understand the work environment and settle into it.

Together, these activities help the selected person take up the assigned position with clarity and confidence. Orientation is an introduction to the organisation; it is distinct from detailed training in job skills.

Step 4: Conclusion Estimating manpower requirements identifies the number and type of employees needed, selection chooses suitable candidates, and placement and orientation assign them to their positions and introduce them to the organisation.

Quick Tip to Solve: Keep the sequence clear: first compare workload with the existing workforce, then choose suitable applicants, and finally assign jobs and introduce the organisation.

OR

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

(i) Status

(ii) Organisational climate

(iii) Job security [6 marks]

Solution:

Concept:

- Directing: motivation through non-financial incentives satisfies employees' psychological, social and emotional needs rather than offering a direct monetary reward.
- Status, organisational climate and job security can motivate employees by providing recognition, a supportive work environment and stability respectively.

Step 1: Explain status **(i) Status:** Status means the rank or position of an employee in the organisational hierarchy. The authority, responsibility, rewards, recognition and prestige associated with a managerial position indicate the status attached to it. Status fulfils an individual's psychological, social and esteem needs. Recognition of an employee's position and contribution makes the employee feel valued and encourages better performance. Thus, the motivational value of status comes from respect and recognition in the organisation, not merely from a job title.

Step 2: Explain organisational climate **(ii) Organisational climate:** It refers to the characteristics which describe an organisation and distinguish it from other organisations. These characteristics influence the behaviour of individuals in the organisation. They include individual autonomy, reward orientation, consideration towards employees, risk taking and the extent of trust and openness. When managers provide a supportive climate, recognise contributions and allow appropriate freedom in work, employees feel encouraged to take initiative and contribute their best. Such a positive work environment acts as a non-financial incentive.

Step 3: Explain job security **(iii) Job security:** Employees want their jobs to be secure and stable and want certainty about future income and work. Security removes the anxiety of losing one's job, makes employees feel safe and encourages them to work with greater zeal. It can strengthen their attachment to the organisation because they can concentrate on their duties instead of worrying about continued employment. However, excessive security without a performance orientation may create complacency; managers should therefore combine security with clear expectations and encouragement to perform well.

Step 4: Conclusion Status satisfies esteem and recognition needs, organisational climate provides a motivating environment, and job security satisfies the need for stability and certainty.

Quick Tip to Solve: Link each incentive to its central need: status to esteem, organisational climate to the work environment, and job security to stability.

33. Ria ran a small online bakery business. Her business was doing very well. She saved a good amount of money every month and now wanted to invest it wisely. She was in a dilemma to keep her savings in a bank account or to invest it in the stock market. Her friend Aabha, who had done a certification course from National Stock Exchange, encouraged her to invest in the stock market. She explained to Ria that if she invests in the stock market, she could disinvest and reinvest whenever she wanted, which would provide her good liquidity. Aabha also told her that the membership of stock exchange is well regulated and all trading takes place within the legal framework. As a result, investors get a fair and safe deal.

Ria was still apprehensive as she had heard that there is lot of speculation in the stock market. She wanted to be cautious. Aabha clarified that speculation does exist, but it happens in a restricted and controlled way. She also told Ria that the stock exchange is keen to promote wider share ownership and does so by educating public about investments etc. As a result, young people have started investing in the stock market. After all this discussion, Ria felt confident and decided to invest a part of her savings in the stock market.

Quoting lines, identify and explain the four functions of stock exchange highlighted in the above case. [6 marks]

Solution:

Concept:

- Financial Markets: a stock exchange provides an organised market for buying and selling existing securities. Its functions facilitate investment and the transfer of securities.
- The case highlights providing liquidity and marketability to existing securities, safety of transactions, providing scope for speculation, and spreading of equity cult.

Step 1: Identify liquidity and marketability **Providing liquidity and marketability to existing securities:** The identifying words are: "she could disinvest and reinvest whenever she wanted, which would provide her good liquidity." A stock exchange creates a continuous market where securities can be bought and sold. An investor can convert an investment into cash by selling the securities to another investor, and can buy securities again when desired. This gives liquidity and marketability to existing securities. The company does not repay the investor merely because the investor sells shares; ownership passes to a new buyer through the secondary market.

Step 2: Identify safety of transactions **Safety of transactions:** The identifying words are: "the membership of stock exchange is well regulated and all trading takes place within the legal framework. As a result, investors get a fair and safe deal." Membership is regulated and dealings take place under the applicable legal framework and exchange rules. This helps protect investors and promotes fair dealing in securities. Safety here concerns the regulated manner in which transactions take place; it does not promise that share prices cannot fall or that every investment will earn a profit.

Step 3: Identify scope for speculation **Providing scope for speculation:** The identifying words are: "speculation does exist, but it happens in a restricted and controlled way." The stock exchange permits speculative activity within the provisions of law and its rules. Such activity involves buying or selling securities in anticipation of price movements. A certain degree of healthy speculation is necessary to ensure liquidity and continuity of trade. Thus, this function refers to controlled speculative activity within a regulated market.

Step 4: Identify spreading of equity cult **Spreading of equity cult:** The identifying words are: "the stock exchange is keen to promote wider share ownership and does so by educating public about investments etc." The exchange educates the investing public, promotes new issues and encourages better trading practices. These measures familiarise people with investment in shares and encourage wider ownership of equity. The case's observation that young people have started investing illustrates this broader participation in the stock market.

Step 5: Conclusion The four functions are providing liquidity and marketability to existing securities, safety of transactions, providing scope for speculation, and spreading of equity cult.

Quick Tip to Solve: Match the case cues in order: easy resale means liquidity; regulated dealings mean safety; controlled price bets mean speculation; investor education means spreading of equity cult.

34(a). Explain the following elements of Marketing Mix :

(i) Product

(ii) Price

(iii) Promotion [6 marks]

Solution:

Concept:

- Marketing Management: marketing mix is the set of marketing tools that a firm uses to achieve its marketing objectives in a target market.
- Product, price, place and promotion are its four elements. The three elements asked here concern the offering, the payment for it and communication with customers.

Step 1: (i) Product

- **Meaning:** Product means goods or services, or anything of value, offered to a market to satisfy a need or want. It includes the benefits and satisfaction that the buyer receives, rather than merely the physical object.
- **Product decisions:** The marketer decides the product's quality, features, design, variety, brand name, packaging and labelling. Customer support services, such as after-sales service and handling complaints, are also important product decisions. The aim is to develop an offering that meets the target customers' needs.

Step 2: (ii) Price

- **Meaning:** Price is the amount of money that customers have to pay to obtain a product. It affects demand, sales revenue and the profitability of the firm, so a suitable price is essential to a successful marketing programme.
- **Pricing decisions:** The firm must determine the basic price and decide the discounts, allowances, credit terms and credit period offered to customers. In fixing the price, it considers costs, demand, competition and its pricing objectives. These decisions should make the offering attractive while meeting the firm's objectives.

Step 3: (iii) Promotion

- **Meaning:** Promotion refers to communicating the availability, features and merits of a product to target customers and persuading them to buy it. It creates awareness and helps customers understand why the offering can satisfy their needs.
- **Promotion decisions:** The firm selects a suitable combination of advertising, personal selling, sales promotion and public relations. It also decides the promotional budget, message and media. The combination depends on the product, target market and resources of the business.

Step 4: Conclusion Product determines what is offered, price determines what the customer pays, and promotion communicates the offering and persuades customers to purchase it. These decisions must be coordinated to satisfy the target market.

Quick Tip to Solve: For each element, give its meaning first and then name the main decisions it covers; keep product features separate from promotional communication.

OR

34(b). Explain the following components of physical distribution :

(i) Order processing

(ii) Warehousing

(iii) Inventory control [6 marks]

Solution:

Concept:

- Marketing Management: physical distribution involves the physical movement of products from the place of production to the place where customers need them.
- Order processing, warehousing and inventory control help make the required products available at the right time while controlling distribution costs.

Step 1: (i) Order processing

- **Meaning:** Order processing consists of the steps through which a customer's order is received, recorded and carried out. It includes checking the order and stock availability, preparing the necessary documents and arranging dispatch of the goods to the customer.
- **Importance:** Orders must be processed accurately and quickly. Errors may cause the wrong goods or quantities to be delivered, while delays may make the customer dissatisfied and lead to loss of future business. An efficient order-processing system therefore helps supply products as promised and maintain customer satisfaction.

Step 2: (ii) Warehousing

- **Meaning:** Warehousing refers to storing goods and holding them safely until they are sold or used. Since production and consumption may occur at different times, storage bridges this time gap and helps ensure regular availability of products.
- **Warehousing decisions:** The firm decides the number, location and capacity of warehouses. Warehouses closer to customers can permit quicker delivery and better service. However, a larger number of warehouses raises warehousing and inventory costs. The firm must balance the desired

level of customer service against these costs.

Step 3: (iii) Inventory control

- **Meaning:** Inventory control involves deciding and maintaining appropriate stock levels so that goods are available when customers require them. Decisions include how much stock to keep and when and how much to order.
- **Balancing availability and cost:** Too little inventory may cause stock-outs, delayed delivery, lost sales and dissatisfied customers. Excessive inventory ties up funds and increases storage, insurance and the risk of deterioration or obsolescence. The firm therefore seeks a stock level that meets expected demand while keeping inventory costs reasonable. The level required depends, among other things, on demand, replenishment time and the desired level of customer service.

Step 4: Conclusion Order processing ensures accurate and prompt execution of orders, warehousing stores goods until needed, and inventory control balances product availability with the cost of holding stocks. Together, these components support reliable physical distribution.

Quick Tip to Solve: Remember the sequence: process the customer's order, store goods until needed, and control stock levels to avoid both shortages and excessive holding costs.