CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/1/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question paper contains **34** questions. **All** questions are compulsory.
(ii) Marks are indicated against each question.
(iii) Answers should be brief and to the point.
(iv) Answers to 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. '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: features of the business environment.
- A dynamic environment changes over time as technology, preferences and competition change.

Step 1: Identify the feature illustrated The words 'keeps on changing' directly indicate dynamic nature. Technological improvements, shifts in consumer preferences and the entry of competitors illustrate continuing changes in the external environment.

Step 2: Eliminate the other options Totality of external forces means the aggregate of outside influences, rather than change over time. Complexity refers to the interrelated forces being difficult to understand. Relativity means that the environment differs between countries or regions. None describes the temporal changes emphasised here.

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

Quick Tip to Solve: Link words such as changing technology and shifting preferences to dynamic nature.

2. 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 and fixed financial obligations.
- Financial risk is the risk that a company may be unable to meet its fixed financing commitments.

Step 1: Identify the obligation involved Interest, preference dividend and repayment obligations arise from the financing arrangements of a company. The inability to meet these fixed financial charges is referred to as financial risk.

Step 2: Distinguish the alternatives Trading on equity is the use of debt to increase the return to

equity shareholders; it is not the name of inability to pay fixed charges. Business risk concerns the inability to cover operating costs. Operating risk also concerns operations and operating costs, rather than the fixed financing commitments specified in the question.

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

Quick Tip to Solve: Interest and repayment in a risk question point directly to financial risk.

3. 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: steps in the organising process.
- Work must first be identified, grouped into departments and assigned before reporting relationships are established.

Step 1: State the correct sequence First, identify and divide the total work into manageable activities. Second, group related activities through departmentalisation. Third, assign duties to suitable employees. Finally, establish authority and reporting relationships so employees know from whom to take orders and to whom they are accountable.

Step 2: Check the proposed sequences Option (D) follows this sequence. Option (A) assigns duties before departmentalisation. Option (B) places departmentalisation after reporting relationships. Option (C) begins with departmentalisation before identifying and dividing work, and also places reporting relationships before assigning duties. These orders do not match the NCERT organising process.

Step 3: Conclusion The correct sequence 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 order: divide work, group activities, assign duties, then set reporting relationships.

4. 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: comparing actual performance with standards.
- Comparison establishes the difference between actual performance and the standards that express desired results.

Step 1: Identify the stage that reveals a deviation Comparing actual performance with the standards reveals whether performance matches the desired result and, if it does not, the extent of the deviation. The question asks about revealing this gap, so comparison is the relevant step.

Step 2: Separate the other stages Setting performance standards establishes the benchmarks before results are compared. Analysing deviations follows comparison and investigates the importance and causes of the differences already found. Taking corrective action then addresses those causes. Thus options (A), (B) and (C) describe other stages, not the stage that reveals the gap.

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

Quick Tip to Solve: Revealing the gap means comparison; explaining the gap means analysing deviations.

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5. 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 responsibilities and redressal machinery.

- Consumers should organise to protect their interests; the redressal machinery operates at district, state and national levels.

Step 1: Assess Statement I Statement I is true. Consumers should form consumer associations to protect and promote their interests. Such organisations can educate consumers, raise awareness and help them seek redressal collectively.

Step 2: Assess Statement II and select the alternative Statement II is false. The textbook describes a three-tier redressal machinery: District Commission, State Commission and National Commission. Calling it two-tier omits one level. Therefore (A) is incorrect because Statement II is false; (B) is incorrect because Statement I is true; and (D) reverses the correct truth values.

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

Quick Tip to Solve: Count district, state and national: the consumer redressal machinery has three tiers.

6. 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: planning is futuristic.
- Planning looks ahead, anticipates future events and determines how the organisation should respond.

Step 1: Identify the feature from the wording The purpose of meeting 'future events effectively' highlights that planning is futuristic. Planning includes looking ahead and preparing for future conditions so that the organisation can use opportunities and meet challenges effectively.

Step 2: Distinguish the remaining features Decision making refers to selecting one course of action from alternatives. A mental exercise refers to the intellectual thinking, foresight and judgement involved in planning. Focus on achieving objectives means that plans are directed towards predetermined organisational goals. These features are valid, but they do not capture the specific emphasis on future events in this question.

Step 3: Conclusion The feature is that planning is futuristic. Hence, the correct option is (B).

Quick Tip to Solve: When the wording emphasises anticipating or meeting future events, choose futuristic.

7. 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.
- Critical point control focuses on key result areas; management by exception focuses managerial attention on significant deviations.

Step 1: Assess Statement I Statement I is true. It describes critical point control. Management should focus control on key result areas that are critical to organisational success, since checking every activity with equal attention is impractical and wasteful.

Step 2: Assess Statement II and choose the option Statement II is also true. It describes management by exception: deviations beyond the permissible limits require managerial attention, while routine minor variations can be handled at appropriate lower levels. Option (B) incorrectly rejects both valid statements. Options (C) and (D) each reject one of these valid principles, so neither is correct.

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

Quick Tip to Solve: Key result areas indicate critical point control; significant deviations indicate management by exception.

8. 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 at competitive prices.
- Use the defining NCERT feature to distinguish the available alternatives.

Step 1: Identify the right exercised The right to be assured gives a consumer access to a variety of goods and services at competitive prices, with freedom to choose. Ritika examined several brands, compared features and prices, and selected the model within her budget. The decisive words are 'After comparing all the available options'. This is the right described in option (B), also commonly discussed as the right to choose.

Step 2: Eliminate the other alternatives Option (A), right to be heard, concerns representation of consumer interests and complaints before appropriate forums; no complaint is made here. Option (C), consumer education, concerns acquiring awareness of consumer rights and responsibilities; the central act here is exercising a choice among competing products. Option (D), redressal, concerns relief against unfair practices or defective goods; no loss or grievance is stated.

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

Quick Tip to Solve: A choice among competing brands at different prices points to the right to be assured.

9. 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 defining NCERT feature to distinguish the available alternatives.

Step 1: Match each definition **Discipline:** Obedience to organisational rules and employment agreements matches (iii). **Unity of direction:** One head and one plan for activities sharing an objective matches (iv). **Order:** A place for every person and thing, with each in the proper place, matches (ii). **Unity of command:** One boss for each employee matches (i).

Step 2: Check the option codes The required sequence for (a), (b), (c), (d) is therefore (iii), (iv), (ii), (i), which appears in option (D). Option (A) reverses order and unity of command. Option (B) reverses discipline and unity of direction. Option (C) makes both of those reversals and also exchanges order with unity of command. None of those sequences matches all four definitions.

Step 3: Conclusion The correct matching is discipline–(iii), unity of direction–(iv), order–(ii), unity of command–(i). Hence, the correct option is (D).

Quick Tip to Solve: Associate command with one boss and direction with one head and one plan.

10. 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: levels of packaging, especially secondary packaging.
- Use the defining NCERT feature to distinguish the available alternatives.

Step 1: Identify the discarded layer Secondary packaging is the additional layer of protection removed when the product is ready for use. Sudha 'took out the colour tube and developer bottle from the box and threw away the box'. The discarded box surrounds the immediate containers and is therefore secondary packaging.

Step 2: Check every alternative Option (A), primary packaging, refers to the immediate container of the product, such as the colour tube or developer bottle, rather than this outer box. Option (B), transportation packaging, means further packaging required for storage, identification and transport, such as a corrugated carton holding many units. No such bulk transport container is described. Option (D), general packaging, is not the relevant NCERT level of packaging. Thus only option (C) identifies the box correctly.

Step 3: Conclusion The discarded box is secondary packaging. The correct option is (C).

Quick Tip to Solve: Identify the immediate container first; a removable box around it is secondary packaging.

11. 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 barriers and personal barriers to effective communication.
- Use the defining NCERT feature to distinguish the available alternatives.

Step 1: Classify the exception Lack of proper incentives is a personal barrier to communication. If employees receive no reward or recognition for useful suggestions, they may not communicate such suggestions. The question asks which factor is NOT an organisational barrier, so this classification selects option (C).

Step 2: Check the organisational barriers Option (A), status, can inhibit a subordinate from communicating freely with a superior. Option (B), organisational facilities, affects communication through the availability of meetings, suggestion systems and other channels. Option (D), rules and regulations, can delay communication when rigid procedures prescribe the route and manner of messages. These three arise from organisational arrangements and are listed as organisational barriers; hence they cannot answer the negative question.

Step 3: Conclusion Lack of proper incentives is a personal barrier. Hence, the correct option is (C).

Quick Tip to Solve: For a NOT question, classify each barrier before selecting the exception.

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12. 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.
- Use the defining NCERT feature to distinguish the available alternatives.

Step 1: Identify the feature from the case Coordination is required at every level of management and is the responsibility of all managers. The case mentions 'Top level managers', the 'production manager', and 'Operational level managers' coordinating their respective activities. This explicit movement through the managerial hierarchy establishes option (B).

Step 2: Distinguish the remaining features Option (A) stresses conscious effort: although efforts are deliberate, that is not the specific feature highlighted by naming all levels. Option (C) stresses

coordination throughout the management process and over time; the passage primarily identifies who coordinates. Option (D) stresses integrating activities to achieve common goals. Launching on time does show a common result, but the distinctive evidence is that managers at every level carry out coordination.

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

Quick Tip to Solve: When a case names top, middle and operational managers, look for responsibility at all levels.

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13. 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 of money market instruments and the organisation of money market transactions.
- Use the defining NCERT feature to distinguish the available alternatives.

Step 1: Judge Assertion (A) Assertion (A) is true. Money market instruments are short-term instruments, generally maturing within one year, and have a high degree of liquidity. They facilitate temporary deployment of funds and are generally more liquid than capital market securities, which relate to longer-term financing.

Step 2: Judge Reason (R) Reason (R) is false. Money market transactions generally take place through a network of banks, financial institutions and dealers, rather than through stock exchanges. Stock exchanges are associated with trading existing capital market securities. The claim that money market instruments are traded on stock exchanges therefore does not describe their market correctly.

Step 3: Test the explanatory link and alternatives Because the reason is false, it cannot explain the true assertion. Options (A) and (B) both require a true reason and are eliminated. Option (D) reverses the truth values by treating the assertion as false and reason as true. Option (C) alone gives the correct combination.

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

Quick Tip to Solve: Judge liquidity separately from trading venue before testing the reason as an explanation.

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14. 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.
- Use the defining NCERT feature to distinguish the available alternatives.

Step 1: Identify the scientific management principle The consultant replaced experience and guesswork with systematic investigation to determine one best method. The evidence is that he 'carefully investigated the traditional methods through work-study' and 'developed a standard method'. This is Taylor's principle of science, not rule of thumb: decisions about the method should follow scientific study rather than habitual trial and error.

Step 2: Eliminate the other principles Option (B), harmony, not discord, stresses mutual understanding and a mental revolution between workers and management; no dispute is the issue here. Option (C), cooperation, not individualism, stresses joint effort and cooperation rather than competition between the two sides; that is not the stated intervention. Option (D) stresses scientific selection, training and development of every worker. The case instead centres on studying and standardising the production method, so option (A) is the precise match.

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

Quick Tip to Solve: Replacement of guesswork by a scientifically studied best method identifies science, not rule of thumb.

15. 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 responsibilities include obtaining a cash memo and buying standardised goods.
- Apply the NCERT definition to the decisive words or visual clues before comparing the alternatives.

Step 1: Identify the neglected responsibility Ravi asked the salesperson to write details on 'a slip of paper' to avoid GST. A consumer must ask for a cash memo on every purchase because it is documentary proof of the transaction and is useful when seeking redressal.

Step 2: Check the other responsibilities Option (A) concerns informed choice; the case does not establish a failure to examine alternatives. Option (C) is fulfilled by checking the hallmark, which assures purity. Option (D) concerns asserting oneself for a fair deal; the specific omission here is the proper purchase bill.

Step 3: Conclusion Ravi failed to ask for a cash memo. Hence, the correct option is (B).

Quick Tip to Solve: Separate a hallmark, which assures quality, from a cash memo, which proves purchase.

16. 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 reduces the risks of uncertainty but cannot eliminate changes in the external environment.
- Apply the NCERT definition to the decisive words or visual clues before comparing the alternatives.

Step 1: Locate the absolute claim Option (B) says that planning eliminates uncertainty. Planning looks ahead, anticipates changes and develops suitable responses, but the future remains uncertain. Events in a dynamic business environment cannot all be predicted or controlled.

Step 2: Verify the remaining statements Option (A) correctly describes direction: advance plans tell employees what to do and how to proceed. Option (C) correctly connects planning with selecting among alternative courses of action. Option (D) is also correct because planning allows innovative ideas to develop into concrete courses of action.

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

Quick Tip to Solve: When an option says planning eliminates uncertainty, replace eliminates with reduces.

17. 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 includes the right to be heard and voluntary grievance redressal by business firms.
- Apply the NCERT definition to the decisive words or visual clues before comparing the alternatives.

Step 1: Judge Assertion (A) Assertion (A) is true. Many enlightened firms establish consumer service and grievance cells as a means of protecting consumers. Such cells provide a channel for registering complaints and addressing dissatisfaction.

Step 2: Judge Reason (R) Reason (R) is true. The right to be heard gives consumers the right to file a complaint and have their grievance heard when dissatisfied with goods or services.

Step 3: Check the explanatory link and alternatives A grievance cell enables the consumer to exercise the right to be heard within the business itself. Thus, the right stated in Reason (R) explains why firms establish the cells stated in Assertion (A). Option (A) wrongly rejects both statements; option (B) wrongly rejects the assertion; option (C) incorrectly denies this explanatory connection.

Step 4: Conclusion Both statements are true and the right to be heard explains the establishment of consumer grievance cells. Hence, the correct option is (D).

Quick Tip to Solve: For assertion-reason items, establish both truth values before checking the causal link.

18. 'While granting loans to a company, sometimes the lender may impose certain restrictions on the payment of dividends in future.'

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: (B) Contractual constraints

Solution:

Concept:

- Dividend decisions are influenced by contractual constraints imposed through lending agreements.
- Apply the NCERT definition to the decisive words or visual clues before comparing the alternatives.

Step 1: Identify the source of the restriction The case states that 'the lender may impose certain restrictions on the payment of dividends'. Such restrictions arise from the terms of a loan agreement. The company must observe these contractual conditions when deciding its dividend.

Step 2: Distinguish the other factors Option (A), access to capital market, concerns the ability to raise funds externally. Option (C), legal constraints, refers to restrictions imposed by law rather than a lender. Option (D), stock market reaction, concerns how investors and share prices may respond to dividend decisions. None describes a condition imposed under a lending agreement.

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

Quick Tip to Solve: Identify who imposes the limit: a lender points to contractual constraints, while law points to legal constraints.

19. '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:

- Effectiveness means completing the right task and achieving the desired result; efficiency concerns doing it with minimum cost and resources.
- Apply the NCERT definition to the decisive words or visual clues before comparing the alternatives.

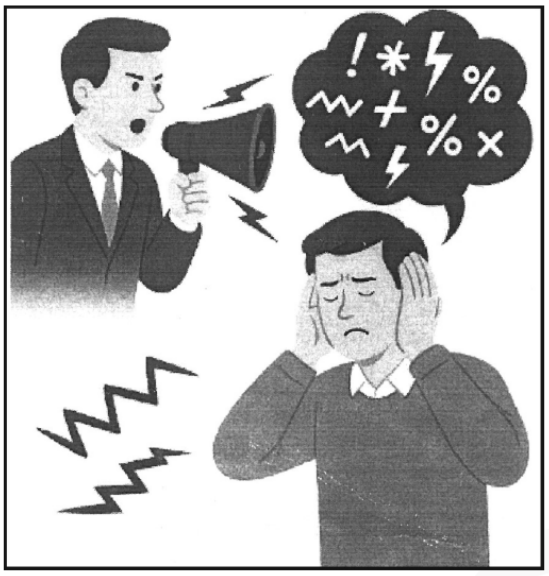
Step 1: Assess achievement of the objective The team 'successfully completed its project on time'. It developed the required software within six months, so it attained the stated objective and was effective.

Step 2: Assess the use of resources The project exceeded its budget of Rs 12,00,000 by Rs 2,00,000 because part of the work was outsourced. Its total expense was Rs 14,00,000. Thus, it did not meet the planned cost standard and was not efficient. Option (A) wrongly calls it efficient; option (B) reverses both findings; option (D) ignores successful and timely completion.

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

Quick Tip to Solve: Evaluate the deadline and result for effectiveness, then evaluate expenditure for efficiency.

20. 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:

- Noise is an obstruction or hindrance that interferes with the communication process.
- Apply the NCERT definition to the decisive words or visual clues before comparing the alternatives.

Step 1: Interpret the picture The picture shows a person speaking through a megaphone, disruptive symbols and another person covering his ears. These visual clues indicate disturbance that obstructs receiving and understanding the message. The element represented is noise.

Step 2: Eliminate the other elements Option (A), feedback, is the response sent back by the receiver. Option (B), media, is the channel through which the message travels; although a megaphone appears, the disturbance is the focus of the picture. Option (D), decoding, is converting received symbols into meaning. The receiver shown struggling with interference points specifically to noise.

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

Quick Tip to Solve: In a communication picture, disturbance and a receiver struggling to hear point to noise.

For Visually Impaired Candidates :

20 (For Visually Impaired Candidates). The element of communication process that converts the message into communication symbols is : [1 mark]

(A) Feedback

(B) Media

(C) Decoding

(D) Encoding

Correct Answer: (D) Encoding

Solution:

Concept:

- Directing: the communication process includes encoding, through which the sender converts a message into communication symbols.
- Symbols may take the form of words, pictures or gestures that convey the sender's intended meaning.

Step 1: Identify the conversion described The words 'converts the message into communication symbols' identify encoding. The sender first has an idea or message and expresses it in a symbolic form suitable for transmission. Therefore, option (D), Encoding, matches the precise operation stated in the question.

Step 2: Compare the remaining alternatives Option (A), Feedback, is the receiver's response communicated back to the sender; it does not convert the original message into symbols. Option (B), Media, is the path or channel through which an encoded message travels. Option (C), Decoding, means converting the received symbols into meaning so that the receiver understands the message. Decoding thus concerns interpreting symbols, whereas the question asks about creating those symbols.

Step 3: Conclusion The element is encoding. Hence, the correct option is (D).

Quick Tip to Solve: Message into symbols means encoding; received symbols into meaning means decoding.

21. '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: a divisional structure groups activities according to the different products or product lines of an enterprise.
- Each product division has the functions needed for its operations, and its divisional head is

responsible for its performance.

Step 1: Identify the suitable structure and the case evidence **(i) Divisional structure:** This is suitable for Soal Footwear Ltd. because the company is diversifying into several product categories. The case states that it is "adding clothing, bags and accessories under the same brand umbrella". Separate divisions for the different product lines would allow attention to their distinct requirements. Grouping all work only by functions would not provide the same product-wise focus as the range expands.

Step 2: State two advantages **(ii) Product specialisation and development of managers:** A divisional head gains experience in all functions relating to a product, such as production, marketing and finance. This develops varied skills and prepares the manager for higher positions.

Accountability for performance: Revenue and costs relating to each product division can be identified separately. The performance of each division can therefore be assessed, responsibility for poor performance can be fixed, and corrective action can be taken.

Step 3: Conclusion A divisional structure is appropriate for the diversified product range. It develops managerial skills through product specialisation and makes divisional performance easier to assess.

Quick Tip to Solve: Link diversification into distinct product lines to divisional structure; then state two separate textbook advantages.

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

Solution:

Concept:

- Directing: effective communication requires the receiver to understand the message in the sense intended by its sender.
- Measures to improve communication remove barriers arising from unclear ideas, unsuitable language and lack of feedback.

Step 1: Prepare and express the message clearly **Clarify the ideas before communication:** Before communicating, the sender should be clear about what is to be conveyed and why. The message should be properly analysed and stated in a manner that is understandable to the receiver. Clear thinking helps prevent incomplete or contradictory instructions.

Be aware of the language, tone and content of the message: The sender should use language that the receiver can easily understand. The tone should be suitable, and the content should convey what is needed without offending the listener. Unnecessary jargon and ambiguous expressions should be avoided.

Step 2: Check whether the receiver has understood **Ensure proper feedback:** The sender should encourage the receiver to respond to the communication. Feedback, such as questions or a restatement of the instructions, enables the sender to check whether the message has been understood correctly. Any misunderstanding revealed by the response can then be clarified promptly.

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

Quick Tip to Solve: For any three measures, give three distinct textbook headings and briefly show how each improves understanding.

OR

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

Solution:

Concept:

- Directing: leadership is the process of influencing the behaviour of people by making them strive voluntarily towards organisational goals.
- Leadership involves interpersonal influence, a relationship between a leader and followers, and the achievement of common goals.

Step 1: Explain influence and interpersonal relationships **Ability to influence others:** Leadership indicates the ability of an individual to influence the behaviour of other people. A leader guides and motivates employees so that they willingly work towards the desired objectives. It is the effect on followers' behaviour that makes this a leadership process.

Interpersonal relations between leader and followers: Leadership is exercised through the relationship between a leader and the people being led. Followers respond to the leader, while their needs and responses also affect the leader's behaviour. Thus, leadership requires interaction between the two.

Step 2: Explain its purpose **Achievement of common goals:** Leadership is exercised to achieve common organisational goals. The leader directs the efforts of followers towards these goals and helps secure their cooperation. Personal influence without a shared purpose does not adequately describe leadership in the management of an organisation.

Step 3: Conclusion Leadership involves influencing others, interpersonal relations between the leader and followers, and efforts directed towards common goals.

Quick Tip to Solve: Distinguish features of leadership from qualities of a leader: explain influence, relationships and common goals.

23. '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: meaning of controlling and its importance in judging standards and coordinating action.
- Control compares actual performance with predetermined standards and ensures corrective action wherever deviations occur.

Step 1: (i) Identify and state the function **Controlling:** It is the process of ensuring that activities in an organisation are performed according to plans. It involves measuring actual performance, comparing it with predetermined standards, analysing deviations and taking corrective action to achieve organisational objectives. The audit found performance "not up to the mark", while "surprise stock checks" and the biometric attendance system provided checks and corrective measures. These actions identify the function as controlling.

Step 2: (ii) Two other points of importance

- **Judging accuracy of standards:** A sound control system helps management verify whether the standards set are accurate and objective. By reviewing standards in the light of actual experience and changes in the organisation or its environment, managers can revise standards when necessary.
- **Facilitating coordination in action:** Controlling guides the activities of different departments and employees towards the same organisational goals. Predetermined standards and checks ensure that the efforts of different units are coordinated and contribute to the overall objectives.

These points are different from efficient use of resources, employee motivation, and order and discipline, which the case illustrates through reduced pilferage, clear expectations and punctuality.

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

Quick Tip to Solve: For part (ii), exclude the points already illustrated by stock protection, attendance checks and employee motivation.

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

Solution:

Concept:

- Nature and Significance of Management: functions and responsibilities of top level management.
- Top management determines the overall direction of the organisation and integrates the activities of its different departments.

Step 1: Set organisational direction

- **Determining overall objectives and strategies:** Top management decides the basic goals of the organisation and formulates overall policies and strategies for achieving them. Its decisions guide the work of middle and supervisory management and provide a common direction to the enterprise.

Step 2: Integrate activities and ensure overall welfare

- **Coordinating different departments:** Top management integrates diverse elements of the organisation and coordinates the activities of departments. It ensures that departmental objectives and actions support overall organisational goals, rather than conflicting with one another.
- **Ensuring the welfare and survival of the organisation:** Top management is responsible for the organisation's overall welfare and survival. It analyses the business environment and its implications for the firm, takes decisions affecting the entire organisation, and remains responsible for the impact of business activities on society.

Step 3: Conclusion Three functions are determining overall objectives and strategies, coordinating departments, and ensuring the overall welfare and survival of the organisation.

Quick Tip to Solve: Use organisation-wide responsibilities for top management; daily supervision of individual workers belongs to the supervisory level.

OR

24(b). State any three points of importance of business environment. [3 marks]

Solution:

Concept:

- Business Environment: importance of understanding external forces affecting business performance.
- Environmental understanding helps a firm recognise opportunities and threats early and respond to changes in its surroundings.

Step 1: Recognise favourable changes

- **Identifying opportunities and getting first-mover advantage:** Understanding the environment helps a firm recognise positive external changes that can improve its performance. By identifying an opportunity early and acting before competitors, the business can obtain a first-mover advantage and strengthen its position in the market.

Step 2: Prepare for adverse forces and rapid change

- **Identifying threats and early warning signals:** Environmental awareness alerts managers to unfavourable trends and changes that may hinder business performance. Early identification gives management time to prepare an appropriate response and reduce the possible adverse effect on the organisation.
- **Coping with rapid changes:** Business operates amid changing technology, intense competition, global influences and increasingly demanding customers. Understanding these changes helps managers develop suitable courses of action, modify business practices and adapt to the changing environment effectively.

Step 3: Conclusion Understanding the business environment helps identify opportunities and gain first-mover advantage, identify threats and early warning signals, and cope with rapid changes.

Quick Tip to Solve: State each importance as a separate NCERT heading, then explain how environmental awareness helps the business act.

25. '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.
- Identify each function by the activity performed: researching needs, improving the product, giving it a distinctive name, and presenting it in an informative package.

Step 1: Identify the research and product functions

- **Gathering and analysing market information:** This function involves collecting and analysing information about customers' needs and preferences to guide marketing decisions. Eco Care "conducted a market research to identify the needs of the customers". This information helps it decide what consumers want and plan its offering accordingly.
- **Product designing and development:** This involves making decisions about a product's design, quality and features so that it is attractive and offers a competitive advantage. Eco Care "developed a stylish stainless steel bottle with double wall insulation to keep beverages cold for 24 hours". The

stylish appearance and useful insulation translate customer preferences into a marketable product.

Step 2: Identify the identity and presentation functions

- **Branding:** Branding means giving a product a distinctive name, sign or symbol to identify it and distinguish it from competitors' products. The firm "named the bottle 'Eco-Sip' creating a brand identity". This name supports recognition and differentiation, associating the bottle with sustainability and simplicity.
- **Packaging and labelling:** Packaging means designing and producing the container or wrapper; labelling means providing identifying and descriptive information on it. Here, "packaging was made using hundred percent recyclable cardboard", and details of "sustainability, features, price etc." were printed on it. Thus, the package presents the bottle while its label informs prospective buyers about the offering.

Step 3: Conclusion The four functions are gathering and analysing market information, product designing and development, branding, and packaging and labelling.

Quick Tip to Solve: Match research to market information, bottle features to product development, Eco-Sip to branding, and the printed cardboard package to packaging and labelling.

26(a). State any four merits of external sources of recruitment. [4 marks]

Solution:

Concept:

- Staffing: External recruitment means searching for prospective employees outside the organisation and encouraging them to apply for its vacancies.
- Its merits arise from access to a wider labour market: qualified personnel, wider choice, fresh talent and competitive spirit.

Step 1: Explain the benefits of access to outside applicants

- **Qualified personnel:** External sources allow management to attract people with the education, qualifications and skills required for a particular job. Where suitable expertise is unavailable among existing employees, the organisation can seek it from outside instead of limiting recruitment to its present workforce.
- **Wider choice:** Recruitment from outside opens vacancies to a large number of applicants. Management can compare a wider range of candidates and select the person who best meets the job requirements. This makes the choice less restricted than when only existing employees are considered.

Step 2: Explain the benefits for organisational renewal

- **Fresh talent:** New employees bring fresh ideas, knowledge, experience and different approaches to work. The organisation can benefit from their exposure and initiative, especially when the existing staff cannot meet new requirements. This helps the enterprise avoid stagnation and adapt its practices to changing needs.
- **Competitive spirit:** Recruitment from outside can create a competitive spirit among existing

employees. Knowing that the organisation can appoint capable outsiders encourages present employees to improve their performance and develop their abilities. This can motivate them to work more effectively and demonstrate their suitability for future responsibilities.

Step 3: Conclusion The four merits of external recruitment are qualified personnel, wider choice, fresh talent and competitive spirit.

Quick Tip to Solve: Recall the four textbook headings first, then explain how each follows from opening recruitment to candidates outside the organisation.

OR

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

Solution:

Concept:

- Staffing: Training is the systematic process of increasing employees' knowledge and skills for performing their specific jobs.
- Benefits of training to an organisation include avoiding wasteful learning, increasing productivity, preparing future managers and improving employee morale.

Step 1: Benefits relating to learning and productivity **1. Systematic learning:** Training is a systematic learning process. It is better than learning merely by trial and error because employees receive organised instruction in the correct methods of doing the job. It thus avoids the wastage of time, effort and money involved in learning through repeated mistakes.

2. Higher productivity: Training enhances employee productivity, both in terms of quantity and quality. Employees acquire the knowledge and skills needed to perform their work efficiently, enabling them to produce better results with the available resources. Higher productivity helps the organisation earn higher profits.

Step 2: Benefits relating to management and employees **3. Equips future managers:** Training equips future managers who can take over in an emergency. By developing the capabilities of employees in advance, the organisation has competent people available to assume greater responsibilities when the need arises. This supports continuity in its managerial work.

4. Higher morale and lower turnover: Training increases employee morale. Employees who are better equipped to handle their jobs feel more confident and satisfied with their work. Improved morale reduces absenteeism and employee turnover, helping the organisation retain its workforce and avoid frequent replacement of employees.

Step 3: Conclusion The four benefits are systematic learning, higher productivity, availability of future managers, and higher employee morale with reduced absenteeism and turnover.

Quick Tip to Solve: Link each benefit to the organisation: less waste, greater output, managerial continuity or better workforce retention.

27(a). Explain the following limitations of planning function of management :

(i) Planning may not work in a dynamic environment.

(ii) Planning reduces creativity. [4 marks]

Solution:

Concept:

- Planning: Planning means deciding in advance what to do and how to do it. Plans provide direction but are subject to limitations arising from environmental change and the manner in which plans are made and implemented.
- The two limitations tested here are the difficulty of relying on plans in a dynamic environment and the reduction of creativity when employees merely execute plans formulated by top management.

Step 1: (i) Planning may not work in a dynamic environment **Dynamic environment:** The business environment is continuously changing. Its economic, political, legal, social and technological dimensions can change in ways that are difficult to anticipate accurately. Planning is based on assumptions about future conditions, but these assumptions may not remain valid.

For example, a technological development or a change in government policy may make an existing plan unsuitable. Although management attempts to forecast the future and revise plans, it cannot predict every change or its effect. Plans may therefore fail to work effectively when external conditions change rapidly and the organisation cannot adapt its plans in time.

Step 2: (ii) Planning reduces creativity **Reduced creativity:** In many organisations, planning is carried out by top management and the other levels of management are expected to implement the plans. Middle-level and lower-level managers may neither participate in preparing the plans nor be permitted to deviate from them or act on their own.

As a result, their work is largely confined to carrying out decisions already made by others. They may stop thinking independently, suggesting new ideas or exercising initiative. Employees thus become followers of plans rather than contributors to the planning process, which reduces individual initiative and creativity.

Step 3: Conclusion A changing environment can invalidate the assumptions behind plans, while centralised formulation and strict implementation of plans can restrict the creativity of employees at other levels.

Quick Tip to Solve: Explain the first limitation through changing external assumptions and the second through employees' limited participation and initiative.

OR

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

(i) Policy

(ii) Procedure [4 marks]

Solution:

Concept:

- Planning: policies and procedures are types of standing plans used to guide recurring decisions and activities.
- A policy gives broad guidance for decisions, while a procedure specifies the sequence of actions to follow.

Step 1: (i) Policy: meaning and purpose **General guideline:** A policy is a general statement that guides thinking or channels effort towards a particular direction. It provides a broad framework within which managers make decisions in recurring situations, so that decisions remain consistent with organisational objectives.

Scope for discretion: A policy sets boundaries for decisions but permits managerial judgement within those boundaries. For example, a policy of filling managerial vacancies from within the organisation guides recruitment decisions without laying down every step of the selection process.

Step 2: (ii) Procedure: meaning and purpose **Sequence of activities:** A procedure consists of routine steps for carrying out activities. It specifies the exact manner in which work is to be performed and the chronological order in which the steps must be followed. It is generally used for repetitive activities and helps avoid confusion and inconsistency.

Implementation of policy: Procedures translate broad policies into an established course of action. For example, a recruitment procedure may require receiving applications, screening them, conducting tests and interviews, and then selecting the suitable candidate. Unlike a policy, it specifies the order of action rather than merely guiding a decision.

Step 3: Conclusion A policy guides decision-making within a broad framework; a procedure lays down the ordered steps for performing work. Both are standing plans that promote consistency in recurring situations.

Quick Tip to Solve: Remember policy as a guide to decisions and procedure as a sequence of actions; explain each with its meaning and a relevant example.

28. '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 managing work, managing people and managing operations.
- These interrelated dimensions together help an organisation achieve its objectives effectively and efficiently.

Step 1: Identify the characteristic **Management is multidimensional:** Management is a complex activity with three main dimensions: management of work, management of people and management of operations. All three dimensions appear in GW Industries' preparations for launching EcoPac.

Step 2: Explain the three dimensions using the case **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 the case, the CEO "translated the work into clear goals and assigned the means to achieve those". This shows management directing work towards the launch of the new product.

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 a group. It makes their strengths effective and their weaknesses irrelevant while directing them towards organisational goals. The case states that "human resources are the greatest asset" and that "getting work done through them is also a major task".

Management of operations: Every organisation has a production or service process that transforms inputs into outputs. Management directs the flow of input materials and the use of technology to produce the desired output. Here, a production process was established for "managing the flow of input materials and technology" to convert materials into high quality sustainable packaging. This links the organisation's work with its people and resources.

Step 3: Conclusion The characteristic is **management is multidimensional**. GW Industries managed its work, its people and its operations together to support the successful launch of EcoPac.

Quick Tip to Solve: When a case mentions goals, employees and an input-to-output process together, identify the three dimensions: work, people and operations.

29. 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: nature of management principles, particularly universal applicability and their role as general guidelines.
- A management principle guides thought and action in managerial decision-making; its application takes account of the circumstances of the organisation.

Step 1: Universal applicability **Universal applicability:** Management principles apply to all types of organisations, irrespective of their nature, size and ownership, and at all levels of management. However, the extent of their application varies with the nature of the organisation, its business activities and its scale of operations. In the case, the 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". Thus, both the software firm and the supermarket chain can use them even though their work and operations differ.

Step 2: General guidelines **General guidelines:** Management principles are broad guidelines rather than readymade solutions to every managerial problem. Real business situations are complex and dynamic and result from the interaction of several factors. Managers therefore use the principles with judgement in the particular situation. The case states that the principles "would not provide readymade solutions" because situations were "very complex and dynamic". Rajiv's belief that "even small guidelines could help in solving many problems" directly illustrates their guiding role in both companies.

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

Quick Tip to Solve: Link application across different organisations to universal applicability, and the absence of readymade solutions to general guidelines.

30. '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 for the performance of assigned work.
- Delegation helps a manager handle a larger volume of work while developing and motivating subordinates. The manager retains accountability for the overall result.

Step 1: (i) Identify the concept The concept is **delegation**. Arjun should assign routine work to subordinates and give them the authority needed to perform it. The CEO's advice that he "should allow his subordinates to take up routine tasks" identifies delegation. It distributes work instead of requiring Arjun to perform every operational activity himself.

Step 2: (ii) Effective management **Effective management:** By empowering employees to perform routine work, delegation reduces the manager's workload and leaves more time for important matters. Arjun can consequently devote adequate attention to strategic planning and high impact decisions. The case says this would "help him manage his time better", directly illustrating this benefit.

Step 3: (ii) Employee development **Employee development:** Delegation gives employees opportunities to use their abilities, gain experience, exercise judgement and develop skills in handling assigned tasks. It prepares them for greater responsibilities. The case explicitly says it will "provide opportunities to the subordinates to develop and exercise initiative".

Step 4: (ii) Motivation of employees **Motivation of employees:** Entrusting a subordinate with responsibility and suitable authority shows the superior's confidence in that person. It gives recognition, strengthens self-esteem and encourages commitment to work. Here, delegation would "satisfy the subordinate's need for recognition", making it a source of motivation.

Step 5: Conclusion The concept is **delegation**. Three points of its importance are effective management, employee development and motivation of employees.

Quick Tip to Solve: When routine work is entrusted to subordinates, identify delegation; connect freed managerial time, initiative and recognition to its three benefits.

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 funds invested in fixed assets such as plant and machinery for use over a long period.
- The nature and scale of business, technological upgradation and financing alternatives influence the amount of funds a firm must commit to fixed assets.

Step 1: Nature of business **Nature of business:** Koka is a "manufacturer in the electronics industry". A manufacturing concern needs plant, machinery and production equipment to convert inputs into finished goods. It therefore normally requires more fixed capital than a trading concern, which mainly purchases and resells goods. The investment needed for production assets makes the nature of Koka's business an important determinant of its fixed capital requirement.

Step 2: Scale of operations **Scale of operations:** The case describes Koka as a "large scale manufacturer". A firm operating on a large scale generally needs larger production facilities, more machinery and greater supporting infrastructure than a small enterprise. Its fixed capital requirement is consequently higher. Thus, the size of Koka's operations increases the funds it would normally need to invest in fixed assets.

Step 3: Technology upgradation **Technology upgradation:** The case states that assets are "prone to obsolescence" and replacement becomes due faster with changes in technology. Industries in which assets become obsolete rapidly need greater fixed capital provision for replacing and upgrading those assets. Koka must remain technologically current to maintain quality, control production costs and stay competitive; it therefore faces a greater need to provide funds for equipment replacement than a business using stable technology.

Step 4: Financing alternatives **Financing alternatives:** Koka "decides to lease the required machinery" instead of purchasing it. Availability of leasing reduces the funds the company must initially commit to buying fixed assets. It can use the equipment by paying lease rentals, and obtain upgraded equipment at the end of the lease term. Hence, leasing lowers Koka's immediate fixed capital requirement while helping it retain financial flexibility; it does not mean that using the equipment is cost-free.

Step 5: Conclusion The four factors are **nature of business, scale of operations, technology upgradation and financing alternatives**. Manufacturing, large scale operations and rapid obsolescence raise Koka's fixed capital needs, while the availability of leasing reduces the immediate investment required to purchase machinery.

Quick Tip to Solve: Link each case clue to a different NCERT factor: manufacturer, large scale, obsolescence and lease correspond to nature, scale, technology and financing alternatives.

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

(i) Preliminary screening

(ii) Selection tests

(iii) Employment interview [6 marks]

Solution:

Concept:

- Staffing: selection is the process of choosing from applicants the person most suitable for a particular job. The selection process compares applicants' qualifications and abilities with the requirements of the job.
- Preliminary screening, selection tests and the employment interview provide successive opportunities to assess suitability using different kinds of information.

Step 1: Preliminary screening **Purpose:** Preliminary screening helps the manager eliminate applicants who are unqualified or unfit for the job on the basis of information supplied in their application forms. The application is examined against the essential job requirements, such as the required educational qualifications and relevant experience. This reduces the number of unsuitable applicants who move to the more detailed stages of selection.

Preliminary interview: A preliminary interview may also be conducted to assess basic suitability. It helps reject applicants whose background, appearance or other personality characteristics are obviously inconsistent with the requirements of the organisation. This is an initial filtering stage, rather than a final decision to appoint the applicant.

Step 2: Selection tests **Purpose:** A selection test is a mechanism, either a paper-and-pencil test or an exercise, that attempts to measure characteristics of individuals. It helps assess whether applicants possess the abilities or traits needed for successful job performance. These characteristics can range from aptitudes, such as manual dexterity, to intelligence and personality.

Types: Intelligence tests indicate learning ability and the ability to make decisions and judgments. Aptitude tests measure the potential to learn new skills, while trade tests measure existing knowledge and proficiency in a particular trade. Personality tests provide clues about emotions, reactions, maturity and values. Interest tests indicate a person's pattern of interests or involvement in different activities. The employer chooses tests relevant to the job rather than treating any single test as a complete assessment.

Step 3: Employment interview **Purpose:** The employment interview is a formal, in-depth conversation conducted to evaluate an applicant's suitability for the job. The interviewer seeks information and the applicant supplies it. It allows the employer to explore qualifications, experience and other relevant characteristics in greater detail and to judge how well the candidate meets the job requirements.

Two-way exchange: The applicant may also seek information about the job and the organisation. An interview therefore gives both parties an opportunity to clarify expectations. It can help the applicant understand the work and the employer assess suitability before proceeding with the remaining stages of selection.

Step 4: Conclusion Preliminary screening removes clearly unsuitable applicants, selection tests measure relevant abilities and characteristics, and the employment interview assesses suitability through an in-depth, two-way conversation.

Quick Tip to Solve: Keep the stages distinct: screening filters applications, tests measure characteristics, and the interview explores suitability through a formal conversation.

OR

32(b). Explain the following semantic barriers to communication :

(i) Badly expressed message

(ii) Faulty translations

(iii) Body language and gesture decoding [6 marks]

Solution:

Concept:

- Directing: semantic barriers arise when the words, symbols or other signs used to encode a message do not convey the intended meaning to its receiver.
- Effective communication requires the sender and receiver to attach the same meaning to verbal expressions, translations and non-verbal signals.

Step 1: (i) Badly expressed message **Badly expressed message:** A manager may fail to express the intended meaning clearly because of inadequate vocabulary, incorrect words, omission of necessary words, or a poorly organised message. Vague statements, badly chosen words and phrases, or wrong sentence construction may make the message ambiguous. Consequently, the receiver may understand something different from what the sender meant. For example, an instruction to finish a job "soon" does not communicate a definite deadline; different employees may interpret it differently. The barrier concerns the expression of the message itself, even when sender and receiver use the same language.

Step 2: (ii) Faulty translations **Faulty translations:** When the sender and receiver use different languages, a message must be translated into a language the receiver understands. If the translator is not proficient in both languages, the translation may change or lose the original meaning. Words or phrases may not have exact equivalents, and a literal translation may fail to convey their intended sense. Thus an instruction correctly stated in one language may become misleading in another. This barrier is especially relevant where communication passes through employees who translate messages between management and workers.

Step 3: (iii) Body language and gesture decoding **Body language and gesture decoding:** Facial expressions, gestures, posture and other movements communicate meaning along with spoken words. The receiver interprets these non-verbal signals while decoding the message. If the words and body language do not match, the receiver may be confused or attach a different meaning to the words. For example, verbal approval accompanied by a disapproving facial expression sends inconsistent signals. A gesture may also be understood differently by different receivers. Therefore, inappropriate body language or its incorrect interpretation can prevent the intended message from being understood.

Step 4: Conclusion The three semantic barriers are unclear verbal expression, loss or distortion of meaning in translation, and incorrect interpretation of body language and gestures. Each interferes with the receiver's understanding of the sender's intended meaning.

Quick Tip to Solve: Distinguish the source of confusion: original wording, translation between languages, or interpretation of non-verbal signals.

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: the stock exchange provides a continuous market for existing securities, subject to rules that support orderly and fair trading.
- The functions highlighted here are providing liquidity and marketability to existing securities, safety of transaction, providing scope for speculation, and spreading of equity cult.

Step 1: Providing liquidity and marketability to existing securities **Providing liquidity and marketability to existing securities:** The case states that Ria "could disinvest and reinvest whenever she wanted, which would provide her good liquidity." The stock exchange creates a continuous market where securities already issued can be bought and sold. Investors can convert their investment into cash by selling securities and can reinvest by buying securities. This gives an investor liquidity while the company's capital remains invested in its business; a sale transfers ownership rather than requiring the company to repay that investor. Thus investors obtain both an opportunity to invest and an opportunity to disinvest.

Step 2: Safety of transaction **Safety of transaction:** The supporting lines are that "the membership of stock exchange is well regulated and all trading takes place within the legal framework" and "investors get a fair and safe deal." Membership is regulated, dealings take place under prescribed rules, and the exchange operates within the law. These arrangements help protect investors and promote fair transactions. Safety here concerns the regulated conduct of transactions; it does not mean that share prices cannot fall or that an investment return is guaranteed.

Step 3: Providing scope for speculation **Providing scope for speculation:** Aabha says that "speculation does exist, but it happens in a restricted and controlled way." The stock exchange permits speculative activity within prescribed limits and legal controls. Speculators trade on their expectations of future price changes. Controlled speculation helps ensure liquidity and continuity in the market by supporting buying and selling activity. Hence the function is to provide scope for regulated speculation,

rather than to eliminate every speculative transaction.

Step 4: Spreading of equity cult **Spreading of equity cult:** The case says that "the stock exchange is keen to promote wider share ownership and does so by educating public about investments etc." The exchange encourages wider ownership of equity shares by educating the public about investment, promoting new issues and encouraging better trading practices. Greater awareness helps people understand participation in the securities market and attracts a wider section of investors. The reference to young people beginning to invest illustrates this spread of share ownership.

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

Quick Tip to Solve: Match the clues directly: exit and re-entry means liquidity; legal trading means safety; controlled speculation names its own function; public education indicates equity cult.

34(a). Explain the following factors affecting the determination of price of a product :

(i) Product cost

(ii) The utility and demand

(iii) Extent of competition in the market [6 marks]

Solution:

Concept:

- Marketing Management: price determination involves considering the cost of the product, customers' perception of its utility and demand, and the competitive conditions in the market.
- Cost generally sets the minimum price sustainable in the long run, while utility and demand determine the upper limit customers are willing to pay. Competition helps locate the feasible price between these limits.

Step 1: (i) Product cost **Cost coverage:** Product cost includes the costs of producing, distributing and selling the product. It comprises fixed costs, which remain unchanged within a given range of output; variable costs, which vary directly with output; and semi-variable costs, which have both fixed and variable elements. The firm must consider total cost when deciding its price.

Long-run minimum: In the long run, the price should cover all costs and provide a reasonable profit to sustain the business. Thus cost sets the minimum level or floor price. A firm may temporarily sell below cost, for example to introduce a product into a new market, but it cannot normally continue doing so indefinitely.

Step 2: (ii) The utility and demand **Perceived utility:** A buyer normally pays only when the utility or satisfaction obtained is at least worth the money sacrificed. Greater perceived utility allows a higher price. Therefore, while cost establishes the lower limit, the utility perceived by the buyer and the intensity of demand establish the upper limit of price.

Elasticity of demand: The marketer must examine how demand responds to a change in price. With elastic demand, a small price increase produces a relatively large fall in quantity demanded, leaving less scope for raising price. With inelastic demand, quantity demanded is relatively less responsive, giving the seller greater freedom to charge a higher price. Hence a price decision requires knowledge

of customers' willingness to buy at different prices.

Step 3: (iii) Extent of competition in the market **Competitive prices:** Between the lower limit set by cost and the upper limit set by demand, the prices and likely reactions of competitors influence the actual price. The firm should compare competitors' prices with the quality and features of their competing products before deciding its own price.

Degree of competition: When many firms offer close substitutes, customers can switch easily, so a firm has limited freedom to charge substantially more than competitors. Where competition is weak or the product has distinctive features, the firm has relatively greater pricing freedom. Thus the extent and nature of competition restrict the price the market will accept.

Step 4: Conclusion Product cost sets the long-run price floor, utility and demand set the upper limit, and competition influences the actual price selected within these limits.

Quick Tip to Solve: Organise the answer as cost floor, demand ceiling and competition between them; explain two aspects of each named factor.

OR

34(b). Explain the following marketing management philosophies :

(i) Production concept

(ii) Product concept

(iii) Selling concept [6 marks]

Solution:

Concept:

- Marketing Management: marketing management philosophies guide the way an enterprise approaches its market and seeks to achieve its objectives.
- The production concept emphasises availability and affordability, the product concept emphasises quality and features, and the selling concept emphasises persuasion through selling and promotion.

Step 1: (i) Production concept **Central belief:** The production concept assumes that consumers favour products that are widely available and affordable. It is based on the view that buyers' willingness to purchase is largely influenced by a product's availability and low price.

Management focus: The organisation therefore concentrates on increasing production, achieving high production efficiency and ensuring wide distribution. Large-scale production and economies of scale can reduce the cost per unit, enabling the firm to supply larger quantities at lower prices. Its main means of earning profits is through a large volume of production and sales. However, concentrating only on low cost and availability may overlook the quality or features customers actually want.

Step 2: (ii) Product concept **Central belief:** The product concept assumes that consumers favour products offering the best quality, performance and innovative features. A superior product is regarded as the principal means of attracting buyers and achieving business success.

Management focus: The organisation devotes its efforts to making high-quality products and continuously improving their features and performance. Product improvement is its main means of

achieving profits. However, excessive attention to the product itself can result in marketing myopia: the business may ignore the underlying need of customers, changing preferences or alternative ways of satisfying that need. A technically excellent product may therefore fail if customers do not value its additional features or cannot afford its price.

Step 3: (iii) Selling concept **Central belief:** The selling concept assumes that consumers will not buy enough of the firm's products unless the firm undertakes vigorous selling and promotional efforts. Buyers must be persuaded or coaxed into purchasing.

Management focus: The organisation uses aggressive selling, advertising and other promotional techniques to increase its sales volume. Its starting point is the existing product, and its aim is to sell what the firm makes, earning profit through increased sales. It is especially relevant where goods are not normally sought by buyers. However, an excessive focus on immediate sales, without understanding customer needs and satisfaction, may secure a transaction without building lasting customer relationships or repeat purchases.

Step 4: Conclusion The production concept seeks success through efficient mass production and availability; the product concept through superior quality and improvement; and the selling concept through intensive selling and promotion.

Quick Tip to Solve: For each philosophy, state its belief about buyers and then the management action it encourages: produce efficiently, improve the product, or persuade buyers.