CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/2/3

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. In the 'Primary Market' prices of securities are determined by : [1 mark]

(A) Management of the company

(B) Demand and supply of the security

(C) Employees of the company

(D) Only demand for the security

Correct Answer: (A) Management of the company

Solution:

Concept:

- Financial Markets: pricing in primary and secondary markets.
- The primary market deals in new securities issued by a company.

Step 1: Identify the market In the primary market, the company issues securities for the first time. The management of the company determines their issue price. This differs from subsequent trading of existing securities on a stock exchange.

Step 2: Eliminate the other alternatives Option (B) describes price determination through demand and supply in the secondary market. Employees do not determine the issue price, so (C) is incorrect. Demand alone cannot explain market price determination, and (D) is also incorrect.

Step 3: Conclusion Management of the company determines prices in the primary market. Hence, the correct option is (A).

Quick Tip to Solve: Associate a new issue with company management; associate stock-exchange trading with demand and supply.

2. NV Electronics has an innovative range of smartphones, T.V's, home entertainment systems, kitchen appliances and air conditioners. Besides supplying quality products, their focus is also on handling customer complaints speedily, providing maintenance services, procuring credit services etc.

The function of marketing discussed above is : [1 mark]

(A) Branding

(B) Marketing Planning

(C) Product designing and development

(D) Customer support services

Correct Answer: (D) Customer support services

Solution:

Concept:

- Marketing Management: customer support services as a marketing function.
- Customer support includes complaint handling, maintenance and credit services.

Step 1: Identify the service described The case mentions "handling customer complaints speedily, providing maintenance services, procuring credit services. These activities support customers in purchasing and using products and help maintain customer satisfaction. They therefore describe

customer support services.

Step 2: Eliminate the other alternatives Branding, option (A), concerns giving a product a distinctive name or identity. Marketing planning, option (B), sets marketing objectives and programmes. Product designing and development, option (C), concerns product features and development. None identifies the assistance listed in the case.

Step 3: Conclusion The function is customer support services. Hence, the correct option is (D).

Quick Tip to Solve: Look for complaint handling, repairs and credit facilities to identify customer support services.

3. The process of estimating the fund requirements of a business and specifying the sources of funds is called _____. [1 mark]

(A) Trading on Equity

(B) Capital Budgeting decision

(C) Financial Management

(D) Financial Planning

Correct Answer: (D) Financial Planning

Solution:

Concept:

- Financial Management: meaning and purpose of financial planning.
- Financial planning estimates funding requirements and identifies appropriate sources of funds.

Step 1: Match the definition Estimating how much finance a business requires and specifying where that finance will come from together constitute financial planning. It prepares a financial blueprint so that sufficient funds are available when required. The definition includes both the amount needed and its sources.

Step 2: Eliminate the other alternatives Trading on equity, option (A), uses debt to influence returns to equity shareholders. Capital budgeting, option (B), concerns investment in long-term assets. Financial management, option (C), is the broader management of financial decisions. The precise process defined in the question is financial planning.

Step 3: Conclusion The process is financial planning. Hence, the correct option is (D).

Quick Tip to Solve: When a definition combines estimating fund requirements with specifying sources, choose financial planning.

4. Identify the incorrect statement with respect to 'Motion Study', as a technique of scientific management :

[1 mark]

(A) Unnecessary movements are sought to be eliminated so that it takes less time to complete the job efficiently.

(B) It refers to the study of movements like lifting, putting objects, sitting and changing positions etc., which are undertaken while doing a typical job.

(C) Through this technique, Taylor was able to design suitable equipment and tools to educate workers on their use.

(D) This technique helps to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs.

Correct Answer: (D) This technique helps to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs.

Solution:

Concept:

- Principles of Management: motion study and time study under scientific management.
- Motion study eliminates unnecessary movements; time study determines the standard time required for a job.

Step 1: Check the motion-study statements Motion study examines movements such as lifting, placing objects, sitting and changing position. It removes unnecessary movements to complete work efficiently in less time. Thus (A) and (B) correctly describe it. Suitable tools and equipment and instruction in their use also follow from this study, so (C) is correct.

Step 2: Identify the statement belonging to time study Determining the number of workers required, framing suitable incentive schemes and determining labour costs are purposes of time study. They depend on establishing the standard time for a defined job. Option (D) therefore incorrectly attributes these purposes to motion study.

Step 3: Conclusion The incorrect statement about motion study is (D). Hence, the correct option is (D).

Quick Tip to Solve: For an incorrect-statement question, separate motion study (movements) from time study (standard time and staffing costs).

5. Statement-I : Workforce analysis enables an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organizational objectives.

Statement-II : Workload analysis reveals the number and type of human resources available.

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

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

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

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

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

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

Solution:

Concept:

- Staffing: estimating manpower requirements through workload and workforce analysis.
- Workload analysis assesses human resources required; workforce analysis assesses human resources available.

Step 1: Judge Statement-I Statement-I is false. Assessing the number and types of people necessary for performing jobs and achieving organisational objectives is workload analysis. Workforce analysis instead examines the number and type of employees already available in the organisation.

Step 2: Judge Statement-II and compare the options Statement-II is also false because it assigns the meaning of workforce analysis to workload analysis. The two definitions have been interchanged. Options (A) and (B) each treat one false statement as true, while (C) treats both as true; all three must be rejected.

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

Quick Tip to Solve: Remember: workload tells you people required; workforce tells you people available.

6. 'It is very difficult to predict future happenings, especially when environment changes are taking place too frequently.'

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

(A) Relativity

(B) Uncertainty

(C) Complexity

(D) Dynamic Nature

Correct Answer: (B) Uncertainty

Solution:

Concept:

- Business Environment: uncertainty as a feature of the business environment.
- Uncertainty means difficulty in predicting future environmental happenings.

Step 1: Identify the decisive clue The words "very difficult to predict future happenings directly identify uncertainty. Frequent environmental changes increase the difficulty of making reliable predictions, so the statement emphasises lack of predictability rather than simply the occurrence of change.

Step 2: Eliminate the other alternatives Relativity, option (A), means that the environment differs between countries or regions. Complexity, option (C), concerns interrelated forces that are difficult to understand separately. Dynamic nature, option (D), means continuous change; it is a tempting choice, but the main emphasis here is difficulty in predicting the future.

Step 3: Conclusion The highlighted feature is uncertainty. Hence, the correct option is (B).

Quick Tip to Solve: Distinguish changing conditions from unpredictable conditions: the phrase difficult to predict signals uncertainty.

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7. 'Stock Exchange is playing a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.'

The above lines highlight which function of stock exchange from the following ? [1 mark]

(A) Providing Scope for Speculation

(B) Spreading of Equity Cult

(C) Safety of Transactions

(D) Contributes to Economic Growth

Correct Answer: (B) Spreading of Equity Cult

Solution:

Concept:

- Financial Markets: functions of a stock exchange, particularly spreading of equity cult.
- Educating the public and widening share ownership encourage investment in equity securities.

Step 1: Identify the function from the case The decisive phrases are "ensuring wider share ownership and "educating the public about investments. By promoting informed participation in share investment, the stock exchange spreads the equity cult. Better trading practices and regulation help encourage this wider ownership.

Step 2: Eliminate the other alternatives Scope for speculation, option (A), concerns controlled speculative trading. Safety of transactions, option (C), focuses on regulated and fair dealings. Contribution to economic growth, option (D), concerns the mobilisation and allocation of capital. The specific emphasis on public education and wider ownership identifies (B).

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

Quick Tip to Solve: Match public investment education and wider share ownership with spreading of equity cult.

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8. Neha is working as a Manager at 'NutriBite', a company that makes protein rich snacks which are high in demand. She is responsible for implementing organisation's marketing plans, and ensuring that her department has necessary personnel to achieve goals as per company's policy.

Identify the 'level' of management at which Neha is working : [1 mark]

(A) Top level

(B) Middle level

(C) Operational level

(D) Both Middle level and Operational level

Correct Answer: (B) Middle level

Solution:

Concept:

- Nature and Significance of Management: middle management implements the plans and policies established by top management.
- Departmental heads arrange personnel and coordinate activities in their own departments.

Step 1: Identify the managerial responsibility Neha is responsible for 'implementing organisation's marketing plans' and ensuring that 'her department has necessary personnel'. Both are functions of middle management, which translates overall policy into departmental action.

Step 2: Compare the other levels Top management formulates overall objectives and policies, so (A) does not fit her implementation role. Operational management supervises workers and day-to-day tasks, so (C) does not fit the departmental responsibility described. Option (D) unnecessarily adds operational management; the stated duties identify middle management specifically.

Step 3: Conclusion Neha works at the middle level of management. Hence, the correct option is (B).

Quick Tip to Solve: Look for implementing plans and arranging departmental personnel to identify middle management.

9. Alka Motors is one of the leading automobile companies in India. Due to growing demand for electric vehicles, Alka Motors planned to expand its business and for this, it wanted to raise funds. The finance manager suggested that it should raise funds through equity as the market was bullish. As per the suggestion of finance manager, the company decided to raise ₹ 3,500 crore from equity for its expansion plan for electric vehicles.

The factor that the finance manager took into consideration to raise funds through equity was :

[1 mark]

(A) Cash flow position

(B) Flexibility

(C) Cost of debt

(D) Stock-market conditions

Correct Answer: (D) Stock-market conditions

Solution:

Concept:

- Financial Management: stock-market conditions influence the choice between debt and equity in a financing decision.
- A bullish stock market makes an equity issue more attractive because investors are more willing to subscribe.

Step 1: Locate the decisive evidence The finance manager suggested equity 'as the market was bullish'. This explicitly identifies stock-market conditions: favourable share-market sentiment makes it easier to raise funds through an equity issue.

Step 2: Eliminate unrelated factors Cash flow position in (A) concerns the ability to meet fixed financial obligations; the case does not cite cash availability. Flexibility in (B) concerns preserving borrowing capacity for future needs. Cost of debt in (C) concerns the interest cost of borrowed funds. None of these is the reason stated for the recommendation.

Step 3: Conclusion The factor is stock-market conditions. Hence, the correct option is (D).

Quick Tip to Solve: Underline bullish or bearish in a financing case: these words signal stock-market conditions.

10. 'Lima' is a global sportswear brand known for shoes, apparel and sports accessories. Customers can recognize Lima's shoes, t-shirts and bags just by seeing the tiger symbol imprinted on all Lima's products. Lima has legally registered both its name 'Lima' and its tiger symbol so that no other company can legally use the same or similar design in their sportswear.

The tiger symbol is Lima's : [1 mark]

(A) Brand name

(B) Brand mark

(C) Trade mark

(D) Both Brand mark and Trade mark

Correct Answer: (D) Both Brand mark and Trade mark

Solution:

Concept:

- Marketing Management: a brand mark is the recognisable symbol, design or distinctive sign of a brand.
- A trade mark is a brand or part of a brand that receives legal protection through registration.

Step 1: Apply both definitions The 'tiger symbol imprinted on all Lima's products' is a recognisable visual symbol, so it is a brand mark. Lima has also 'legally registered' the symbol, making it a trade mark protected against unauthorised use.

Step 2: Examine the alternatives Option (A) is incorrect because a brand name is the pronounceable verbal element, here Lima, rather than the tiger symbol. Option (B) correctly describes the visual symbol but leaves out its legal protection. Option (C) correctly describes its registered status but leaves out its character as a brand mark. Both descriptions therefore apply together.

Step 3: Conclusion The tiger symbol is both a brand mark and a trade mark. Hence, the correct option is (D).

Quick Tip to Solve: Test a symbol twice: visual recognition makes it a brand mark; legal registration makes it a trade mark too.

11. Statement – I : Capital market instruments are safer than money market instruments both with respect to returns and principal repayment.

Statement – II : The capital market deals in medium and long-term securities such as equity shares and debentures etc.

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

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

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

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

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

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

Solution:

Concept:

- Financial Markets: the capital market provides medium-term and long-term finance through securities such as shares and debentures.
- Money-market instruments generally involve lower risk than capital-market instruments in respect of returns and repayment.

Step 1: Judge Statement I Statement I is false. Capital-market instruments are generally riskier than money-market instruments, because their longer duration and market-price fluctuations expose investors to greater uncertainty. The statement reverses the textbook comparison of safety.

Step 2: Judge Statement II and compare the options Statement II is true: equity shares and debentures are capital-market securities that provide medium-term or long-term funds. Thus (A) reverses the correct truth values; (C) wrongly accepts Statement I; and (D) wrongly rejects Statement II. Only the combination false and true is supported.

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

Quick Tip to Solve: Separate the safety comparison from the maturity test; capital-market securities are longer term and generally riskier.

12. 'Taylor believed that industrial efficiency depends to a large extent on personnel competencies. He was of the view that the concern for efficiency could be built in right from the process of employee selection. Each person should be scientifically selected. The work assigned should suit her/his capabilities. To increase efficiency, they should be given the required training.' The principle of scientific management discussed above is : [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: (D) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity.

Solution:

Concept:

- Principles of Management: Taylor's development of each and every person to his or her greatest efficiency and prosperity.
- Scientific selection, suitable assignment and training develop employee competence and improve efficiency.

Step 1: Match the case to the principle The phrases 'Each person should be scientifically selected', 'work assigned should suit her/his capabilities' and 'given the required training' all focus on developing every employee to maximum efficiency and prosperity.

Step 2: Distinguish the other principles Science, not Rule of Thumb in (A) replaces traditional methods with scientific work methods. Harmony, Not Discord in (B) stresses harmonious relations between management and workers. Cooperation, Not Individualism in (C) stresses mutual cooperation. Although these support scientific management, the case specifically emphasises employee selection, suitability and development, which identify (D).

Step 3: Conclusion The principle is Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity. Hence, the correct option is (D).

Quick Tip to Solve: Selection according to capability followed by training points directly to development of every person.

13. Green-Eats is a start-up offering plant based meal kits. It gained popularity as more young consumers were becoming health conscious and awareness about environmental issues was increasing day-by-day. To promote sustainable eating, they collaborated with schools and colleges and organized workshops for them.

Identify the element of business environment highlighted in the above case : [1 mark]

(A) Economic Environment

(B) Social Environment

(C) Political Environment

(D) Technological Environment

Correct Answer: (B) Social Environment

Solution:

Concept:

- Business Environment: the social environment comprises social attitudes, values, preferences and changing lifestyles.
- Changing health consciousness and concern for the environment can alter consumer demand.

Step 1: Identify the case evidence The phrases 'young consumers were becoming health conscious' and 'awareness about environmental issues was increasing' show changes in social attitudes and lifestyles. Demand for plant-based meal kits grows with these preferences, identifying the social environment.

Step 2: Rule out the other dimensions Economic environment in (A) would concern factors such as income, interest rates or economic conditions. Political environment in (C) concerns political stability, ideology or government attitudes. Technological environment in (D) concerns innovations or production techniques. The case instead highlights changing consumer values and awareness, so these alternatives do not fit.

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

Quick Tip to Solve: Health awareness, lifestyles and consumer values are clues to the social dimension of business environment.

14. There are two statements, Assertion (A) and Reason (R).

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

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

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

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

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

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

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

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

Solution:

Concept:

- Financial Management: growth opportunities influence dividend decisions by increasing the need to retain earnings.
- Retained earnings provide internal finance for investment; greater retention generally reduces the dividend payout.

Step 1: Judge the assertion Assertion (A) is false. Companies with good growth opportunities generally retain a larger share of their earnings to fund expansion, and therefore pay lower dividends than companies without comparable growth opportunities, other things being equal.

Step 2: Judge the reason Reason (R) is true. Its statement that growth companies 'retain more money out of their earnings' to finance investment correctly explains their greater requirement for internal funds.

Step 3: Test the explanatory relationship and alternatives The reason explains why growing companies tend to distribute less of their earnings, contradicting the assertion that their dividend is greater. Option (B) incorrectly declares the reason false; (C) reverses both truth values; and (D) incorrectly accepts the assertion. The valid combination is a false assertion and a true reason.

Step 4: Conclusion Assertion (A) is false and Reason (R) is true. Hence, the correct option is (A).

Quick Tip to Solve: More growth opportunities mean greater retention needs; distinguish retained earnings from dividends paid.

15. There are two statements, Assertion (A) and Reason (R).

Assertion (A) : Controlling should not be misunderstood as the last function of management.

Reason (R) : Controlling is a function that brings the management cycle back to the planning function.

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

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

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

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

(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:

- Controlling: the continuous management cycle and the relationship between planning and controlling.
- Control compares actual performance with standards and provides feedback for future plans.

Step 1: Judge Assertion (A) Assertion (A) is true. Controlling is not an isolated activity which ends management. Performance must be reviewed continually, deviations identified and corrective action taken while organisational activities continue.

Step 2: Judge Reason (R) Reason (R) is true. Information obtained through control reveals whether plans and standards need revision. It therefore brings the management cycle back to planning and helps make subsequent plans more realistic.

Step 3: Check the explanatory link The return to planning explains why controlling cannot be understood as the final stopping point of management. Options (A) and (C) each wrongly reject one true statement; (B) wrongly rejects both.

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

Quick Tip to Solve: For this assertion, trace the feedback from controlling to revised planning before selecting the explanatory option.

16. Ramesh wanted to buy a room heater as it had become extremely cold. He went to the nearby market in search of a good room heater. He first visited a few big shops selling branded heaters and checked the design, quality and the price. Walking through the market he saw a road side shop displaying an attractive room heater. He walked into the shop to enquire about the room heater. The shopkeeper demonstrated how the heater worked and simultaneously explained its qualities like its rotating function, auto-cut etc.

Ramesh asked about its price and decided to buy it, as in comparison to other room heaters, it was cheaper and had various additional features. However while focusing on the price and features, he did not check the ISI mark or the label which displayed the date of manufacturing, safety features, directions for use etc.

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

(A) Right to choose/be assured

(B) Right to be heard

(C) Right to consumer education

(D) Right to safety

Correct Answer: (A) Right to choose/be assured

Solution:

Concept:

- Consumer Protection: the right to choose or be assured access to a variety of goods and services at competitive prices.
- The right exercised is identified from the action actually taken, rather than a precaution neglected.

Step 1: Identify the right exercised Ramesh exercised the right to choose/be assured. He "visited a few big shops and compared design, quality and price before choosing a heater with additional features at a lower price. This shows his freedom to select among available alternatives.

Step 2: Eliminate the other rights Option (B) concerns having consumer interests and complaints heard; no complaint is described. Option (C) concerns acquiring knowledge and skills about consumer rights and responsibilities; the case does not describe such education. Option (D) concerns protection against hazardous goods: Ramesh failed to check the ISI mark and safety label, so this is not the right his stated conduct demonstrates.

Step 3: Conclusion The right exercised is the right to choose/be assured. Hence, the correct option is (A).

Quick Tip to Solve: Match the right to his comparison and selection of heaters; the ignored ISI mark is a separate safety issue.

17. Match the non-financial incentives given in Column I with their meaning given in Column II :

Column I	Column II
a. Employee participation	i. It indicates the characteristics which describe an organization and distinguish one organization from the other.
b. Organisational climate	ii. It means ranking of positions in the organisation.
c. Employee empowerment	iii. It means giving more autonomy and powers to subordinates.
d. Status	iv. It means involving employees in decision making of the issues related to them.

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

(A) ii iii i iv

(B) i iv ii iii

(C) iv i iii ii

(D) iii ii iv i

Correct Answer: (C) iv i iii ii

Solution:

Concept:

- Directing: non-financial incentives satisfy psychological, social and esteem needs of employees.
- Participation, organisational climate, empowerment and status describe distinct ways of motivating employees.

Step 1: Match the first two incentives Employee participation means involving employees in decisions on issues related to them, so a matches iv. Organisational climate describes the characteristics that distinguish one organisation from another, so b matches i.

Step 2: Match the remaining incentives and check alternatives Employee empowerment means giving subordinates greater autonomy and powers, so c matches iii. Status means the ranking of positions in the organisation, so d matches ii. Option (A) wrongly treats participation as ranking; (B) wrongly treats participation as organisational characteristics; (D) wrongly treats participation as empowerment. Only one sequence preserves all four definitions.

Step 3: Conclusion The matching is a–iv, b–i, c–iii, d–ii. Hence, the correct option is (C).

Quick Tip to Solve: Anchor participation to decision making and empowerment to autonomy, then match climate and status by definition.

18. Identify which of the following functions is Not performed by 'Top Level Management' : [1 mark]

(A) Cooperating with other departments for smooth functioning of the organisation.

(B) Being responsible for the welfare and survival of the organization.

(C) Analyzing the business environment and its implications for the survival of the firm.

(D) Formulating overall organizational goals and strategies for their achievement.

Correct Answer: (A) Cooperating with other departments for smooth functioning of the organisation.

Solution:

Concept:

- Nature and Significance of Management: the responsibilities of top and middle management.
- Top management sets overall objectives and strategy; middle management coordinates departments while implementing those plans.

Step 1: Identify the function at another level "Cooperating with other departments for smooth functioning is a function of middle management. Departmental managers coordinate with one another to translate the policies of top management into effective departmental action.

Step 2: Check the top-management responsibilities Option (B), responsibility for organisational welfare and survival, belongs to top management because it oversees the organisation as a whole. Option (C), analysing the business environment and its implications for survival, is also a top-level responsibility. Option (D), formulating overall goals and strategies, is a central function of top management. These three options therefore cannot answer the question asking which function is not performed at that level.

Step 3: Conclusion Cooperating with other departments for smooth functioning is the middle-management function listed. Hence, the correct option is (A).

Quick Tip to Solve: Notice the word "Not: distinguish departmental cooperation from organisation-wide survival, environment and strategy.

19. The process by which a manager synchronizes the activities of different departments is known as : [1 mark]

(A) Management

(B) Planning

(C) Organising

(D) Co-ordination

Correct Answer: (D) Co-ordination

Solution:

Concept:

- Nature and Significance of Management: coordination integrates the efforts of different units towards common objectives.
- Coordination ensures unity of action by synchronising interdependent departmental activities.

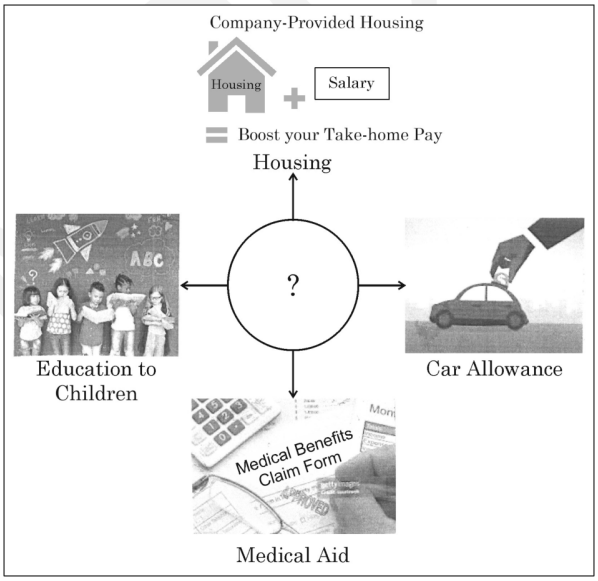
Step 1: Identify the defining process The decisive word is "synchronizes. Coordination brings together the activities of different departments so that their timing and efforts support one another and the common organisational goal. It prevents isolated departmental efforts from working at cross purposes.

Step 2: Distinguish the alternatives Option (A), management, is the broader process comprising several functions; it is not the specific name of synchronisation. Option (B), planning, decides objectives and future courses of action. Option (C), organising, identifies and groups work and establishes authority relationships. Each may support coordination, but none is the precise process defined here.

Step 3: Conclusion The process is co-ordination. Hence, the correct option is (D).

Quick Tip to Solve: Use "synchronises or "unity of action as the cue for coordination rather than the broader term management.

20. The question mark in the picture given below represents a financial incentive. Identify the incentive : [1 mark]



(A) Pay and allowances

(B) Retirement benefits

(C) Productivity linked wage incentives

(D) Perquisites

Correct Answer: (D) Perquisites

Solution:

Concept:

- Directing: perquisites are financial incentives provided over and above salary.
- Examples include housing, car allowance, medical aid and education for children.

Step 1: Read the benefits in the picture The picture connects the question mark with "Housing, "Car

Allowance, “Medical Aid and “Education to Children. These additional benefits improve the value of an employee’s remuneration package beyond ordinary salary and are the standard examples of perquisites.

Step 2: Eliminate the other incentives Option (A), pay and allowances, primarily refers to salary and regular allowances such as dearness allowance; the group illustrated specifically represents additional perquisites. Option (B), retirement benefits, includes pension, provident fund and gratuity, which are not shown. Option (C), productivity linked wage incentives, ties wage payments to output or productivity; the picture gives no such link. The additional benefits illustrated therefore fit option (D).

Step 3: Conclusion The financial incentive represented is perquisites. Hence, the correct option is (D).

Quick Tip to Solve: Group housing, children’s education and medical aid as extra benefits over salary: these identify perquisites.

21(a). State any three points of importance of Management. [3 marks]

Solution:

Concept:

- Nature and Significance of Management: importance of management in achieving organisational goals, increasing efficiency and creating a dynamic organisation.
- Management coordinates human effort and other resources so that organisational activities contribute to common objectives.

Step 1: State the importance of management

- **Management helps in achieving group goals:** Management gives a common direction to individual efforts. It integrates the objectives and activities of different people so that they work together towards the goals of the organisation rather than pursuing unrelated personal aims.
- **Management increases efficiency:** Management aims to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling. It makes the best possible use of available resources and avoids waste of materials, time and effort.

Step 2: Explain its role in a changing environment

- **Management creates a dynamic organisation:** An organisation operates in an environment that keeps changing. Management helps people adapt to changes in technology, methods and market conditions. It reduces resistance by making employees understand that adjustment benefits both them and the organisation, thereby helping the enterprise remain competitive.

Step 3: Conclusion Three points of importance are achievement of group goals, increased efficiency and creation of a dynamic organisation.

Quick Tip to Solve: Use the NCERT importance headings and connect each to its outcome: common goals, lower waste, or adaptation to change.

OR

21(b). State any three objectives of Management. [3 marks]

Solution:

Concept:

- Nature and Significance of Management: organisational, social and personal objectives of management.
- Management must balance the interests of the organisation, society and employees; success cannot be judged through profit alone.

Step 1: State organisational and social objectives

- **Organisational objectives:** Management seeks to achieve survival, profit and growth. Survival requires earning enough revenue to cover costs; profit provides a return for the risks of business; and growth involves increasing the size or scope of operations. Management must use human and material resources effectively to secure these results.
- **Social objectives:** Management must create benefits for society while conducting business. These include supplying quality goods at reasonable prices, providing employment opportunities, using environmentally friendly methods of production and contributing to the welfare of the community.

Step 2: State personal objectives

- **Personal objectives:** Management should help employees meet their individual needs while achieving organisational goals. These needs include adequate salary and other financial benefits, recognition and respect, opportunities for personal growth, and good working conditions. Integrating individual objectives with organisational objectives promotes cooperation and commitment.

Step 3: Conclusion The three categories of management objectives are organisational objectives, social objectives and personal objectives.

Quick Tip to Solve: Name all three categories first; place survival, profit and growth within organisational objectives.

22. Riya, a software engineer wanted to invest a part of her savings in the stock-market. Encouraged by some online discussions, she came across a company 'Smart-Tech Ltd.', whose stock price was rising very fast. News began to circulate that company had got a large government contract and she believed that its share price would double soon. Convinced by the positive claims, Riya also invested in the shares of this company. Over the next week, the shares continued to rise but suddenly, the price started crashing. Within days, her investment had lost more than 60% of its value.

Riya started researching and discovered that the news about the government contract was false. Securities and Exchange Board of India (SEBI) also took immediate notice of the situation and called for detailed trading information and conducted enquiries and inspections. After examining trading information and conducting enquiries, SEBI found that a group of traders had spread false information to artificially boost the stock price. By taking action against the group of traders, SEBI made it clear that fraudulent and unfair trade practices are strictly prohibited.

(i) Quote lines from the above to identify the two functions being performed by SEBI.

(ii) Also state one more function of each category of the functions identified in (i) above. [3 marks]

Solution:

Concept:

- Financial Markets: SEBI performs regulatory, protective and developmental functions in the securities market.
- Calling for information and conducting enquiries are regulatory functions; prohibiting fraudulent and unfair trade practices is a protective function.

Step 1: Identify and quote the two functions in the case

- **(i) Regulatory function:** SEBI undertakes the calling for information and inspection, enquiries and audits of stock exchanges and intermediaries. The identifying words are: "called for detailed trading information and conducted enquiries and inspections." These actions allow SEBI to examine trading activity and check compliance with the rules governing the securities market.
- **(i) Protective function:** SEBI prohibits fraudulent and unfair trade practices in the securities market. The identifying words are: "By taking action against the group of traders, SEBI made it clear that fraudulent and unfair trade practices are strictly prohibited." Spreading false information to manipulate prices harms investors, so preventing such conduct protects their interests.

Step 2: State one additional function of each identified category

- **(ii) Another regulatory function:** SEBI registers stockbrokers, sub-brokers and other players in the securities market. Registration brings these intermediaries within the regulatory framework.
- **(ii) Another protective function:** SEBI undertakes steps for investor protection, including promoting investor education. Educating investors helps them understand market risks and make informed investment decisions.

Step 3: Conclusion The case illustrates regulatory and protective functions. Additional examples are registration of market intermediaries and promotion of investor education, respectively.

Quick Tip to Solve: Classify an enquiry as regulation and action against fraud as protection; give a different example for each in part (ii).

23(a). Explain 'Transfers' and 'Promotions' as internal sources of recruitment. [3 marks]

Solution:

Concept:

- Staffing: Recruitment means searching for prospective employees and stimulating them to apply for jobs. Internal recruitment fills vacancies from employees already working in the organisation.
- Transfers involve horizontal movement of employees, while promotions involve vertical movement to a higher position within the organisation.

Step 1: Explain transfers **Transfers:** A transfer shifts an employee from one job, department, shift or workplace to another without a substantive change in responsibilities and status. It is a horizontal movement and does not ordinarily change salary or the level of authority. It may fill a vacancy in an overstaffed or understaffed department through redistribution of existing employees, without increasing the total number employed.

Step 2: Explain promotions **Promotions:** A promotion shifts an employee to a higher position carrying greater responsibilities, higher status and usually higher pay. It is vertical movement in the organisational hierarchy. A vacancy at a senior level is filled by selecting a suitable existing employee from a lower level. The opportunity for advancement motivates employees to improve their performance and develop the competence required for higher positions.

Step 3: Conclusion Thus, transfers meet staffing needs through horizontal movement, whereas promotions fill higher positions through upward movement of existing employees.

Quick Tip to Solve: For internal recruitment, check the direction of movement: transfer is horizontal; promotion is upward.

OR

23(b). Explain 'Placement and Orientation' and 'Performance Appraisal' as steps in the process of 'Staffing' function of management. [3 marks]

Solution:

Concept:

- Staffing: The staffing process includes putting the selected employee on a suitable job, familiarising the employee with the organisation and evaluating subsequent job performance.
- Placement and orientation help the new employee settle into work; performance appraisal compares work against predetermined standards.

Step 1: Explain placement and orientation **Placement:** Placement means putting the selected person on the job or assigning the position for which the person has been selected. It therefore establishes the employee in the appropriate role after selection.

Orientation: Orientation introduces the new employee to the organisation and to its employees. The employee is familiarised with organisational policies, rules, work procedures and the people with whom the employee will work. This helps the new entrant understand the working environment and

adjust to it.

Step 2: Explain performance appraisal **Performance appraisal:** Performance appraisal means evaluating an employee's current or past performance against predetermined standards. The organisation establishes expected performance, assesses actual performance and provides feedback about the results. This enables the employee to understand strengths and areas requiring improvement. The information can also guide decisions relating to training, promotion and other aspects of employee development.

Step 3: Conclusion Placement assigns the job and orientation introduces the workplace; performance appraisal subsequently evaluates how effectively the employee performs the work.

Quick Tip to Solve: Separate job assignment from workplace introduction, then define appraisal through comparison with predetermined standards.

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24. Identify and explain the external source of recruitment discussed in each of the following cases :

(i) Veer Infrastructure Pvt. Ltd. was handling the construction of a government hospital building in Unedabad. During the monsoon season, the project was delayed and there was a sudden rush of work to meet the deadline. The site supervisor placed a notice at the entrance of the construction site stating "Daily wage labourers needed for 15 days. Report with Identity Proof on Monday at 9:00 A.M. Preference for workers with experience in masonry or carrying materials".

(ii) Vista Bank planned to expand its retail banking operations in Tier-2 and Tier-3 cities. They needed to hire over 200 middle-level managers with experience in sales, customer service and operations.

Vista Bank approached 'Avon Consultants', one of India's leading management consultancy firms. 'Avon Consultants' advertised positions on job portals under their own name and also accessed its database of experienced professionals across India. After extensive screening, they shortlisted and forwarded qualified candidates to Vista Bank. [3 marks]

Solution:

Concept:

- Staffing: External recruitment searches for suitable applicants outside the existing workforce. The recruitment method is identified from how candidates are contacted and screened.
- Direct recruitment is suitable for casual labour needs; placement agencies and management consultants help organisations obtain suitable personnel, especially for managerial positions.

Step 1: Identify and explain the source in case (i) **(i) Direct recruitment:** The clue is that the supervisor "placed a notice at the entrance of the construction site" and sought "Daily wage labourers needed for 15 days". Under direct recruitment, a notice specifying available jobs is displayed at the enterprise's premises. Job seekers assemble at the specified place and time, and suitable candidates are selected on the spot. It commonly recruits casual or unskilled workers and is useful when a sudden rush of work creates a temporary need for labour, as in this construction project.

Step 2: Identify and explain the source in case (ii) **(ii) Placement agencies and management consultants:** The clue is that Vista Bank approached "Avon Consultants" and the firm "shortlisted and forwarded qualified candidates to Vista Bank". Such agencies maintain information about job

seekers and supply suitable candidates to employers for a fee. Management consultants specialise in recruiting technical, professional and middle- or top-level managerial personnel. Avon Consultants uses advertisements and its database to screen experienced applicants, helping the bank obtain suitable middle-level managers for its expansion.

Step 3: Conclusion The external sources are (i) direct recruitment and (ii) placement agencies and management consultants.

Quick Tip to Solve: A notice at the workplace indicates direct recruitment; an outside specialist that screens and forwards candidates indicates a placement agency or management consultant.

25. Fresh Foods Pvt. Ltd. manufactures and distributes organic packaged food products. It's operations are divided into five main departments – Production, Marketing, Finance, Human Resources and Research and Development. Each department has its own head and a team that focuses only on the work related to their department. This promotes efficiency in utilization of manpower as employees perform similar tasks within a department and are able to improve performance. This also helps in increasing managerial and operational efficiency and results in increased profit.

Since each department handles a narrow range of tasks and focus is on a limited range of skills, it is easier to train new employees.

(i) Identify the organization structure followed by Fresh Foods Pvt. Ltd.

(ii) Also state three advantages of the structure identified in (i) above not discussed in the given case. [4 marks]

Solution:

Concept:

- Organising: a functional structure groups jobs of a similar nature under major business functions such as production, marketing and finance.
- Functional grouping helps coordination and control, minimises duplication and gives due attention to different functions.

Step 1: (i) Identify the organisational structure Fresh Foods Pvt. Ltd. follows a **functional structure**. The case states that operations are divided into "Production, Marketing, Finance, Human Resources and Research and Development", with each department having its own head. Activities are grouped according to the function performed, and specialists in each function work together under a departmental manager.

Step 2: (ii) Explain three advantages not discussed in the case

- **Coordination and control:** Similar activities are grouped together within one department. The departmental head can therefore coordinate the work of employees and exercise effective control over related tasks. This makes supervision of activities within the department easier.
- **Minimum duplication and economies of scale:** Each function is performed by a specialised department for the organisation. Unnecessary repetition of the same activity in different units is avoided. The minimum duplication of effort enables economies of scale and results in lower costs.
- **Due attention to different functions:** Every major function has a separate department and a

responsible head. Each function therefore receives adequate attention, rather than being overlooked while managers concentrate on other activities of the business.

These benefits differ from those already discussed in the case: specialisation through similar tasks, increased managerial and operational efficiency leading to higher profit, and easier training because of the limited range of skills required.

Step 3: Conclusion The structure is **functional**. Three further advantages are coordination and control, minimum duplication with economies of scale, and due attention to each function.

Quick Tip to Solve: For advantages not discussed in a case, first exclude the benefits already illustrated and then select distinct remaining NCERT advantages.

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

Solution:

Concept:

- Staffing: external recruitment seeks candidates from outside the organisation to fill vacant posts.
- Its merits concern the quality and range of applicants, the introduction of fresh talent and the competitive effect on existing employees.

Step 1: Explain merits relating to candidate selection

- **Qualified personnel:** External recruitment gives management an opportunity to attract qualified and trained people from outside the organisation. Management can specify the qualifications and experience needed for a vacancy and select candidates who possess them. The organisation is therefore able to obtain suitable personnel even when the required capabilities are unavailable among existing employees.
- **Wider choice:** External sources provide access to a large number of applicants. As recruitment is not restricted to existing employees, the organisation has a broader pool from which to choose. Management can compare candidates against the requirements of the job and select the most suitable person from the available applicants.

Step 2: Explain merits relating to organisational improvement

- **Fresh talent:** People recruited from outside bring new ideas, fresh perspectives and a wider range of experience into the organisation. They supplement the existing talent and can introduce new approaches to work, helping the organisation improve its activities and adapt to changing requirements.
- **Competitive spirit:** Bringing capable people from outside creates a competitive spirit among existing employees. Existing staff are encouraged to work harder and improve their own performance in order to demonstrate their abilities and compete with the new employees. Thus, external recruitment can stimulate better performance within the organisation.

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

Quick Tip to Solve: Separate wider choice from qualified personnel: one concerns the size of the applicant pool, while the other concerns applicants' suitability and training.

OR

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

Solution:

Concept:

- Staffing: training systematically develops employees' knowledge and skills for performing their jobs effectively.
- The benefits to employees include career growth, higher earnings, greater safety, and increased satisfaction and morale.

Step 1: Better career opportunities **Improved skills and knowledge:** Training improves employees' knowledge and job-related skills. Better competence makes them capable of handling more demanding responsibilities and helps them progress in their careers. Thus, it provides better opportunities for advancement by developing their abilities beyond their existing level of performance.

Step 2: Higher earnings **Increased performance and earnings:** Training enables employees to perform their work more efficiently and improves their individual productivity. Better performance helps them earn more, for example where rewards are linked to output or performance. Employees therefore benefit personally from an improvement in their ability to carry out assigned duties successfully.

Step 3: Greater safety at work **Safe handling of machines:** Training teaches employees the correct methods of operating machines, equipment and tools. Familiarity with safe working practices reduces operating mistakes and the risk of accidents. This protects employees against injury while they perform their jobs and enables them to handle the equipment with confidence.

Step 4: Satisfaction and morale **Higher satisfaction and morale:** Trained employees understand their work better and feel more confident about performing it successfully. This increases their satisfaction and morale. Training also reduces the employee dissatisfaction and absenteeism that can result when workers find it difficult to cope with the demands of their jobs.

Step 5: Conclusion The four benefits are better career growth, increased earnings through improved performance, greater safety while handling machines, and higher satisfaction and morale.

Quick Tip to Solve: Keep the answer employee-centred: career, earnings, safety and morale are benefits to the worker; organisational profitability is a different benefit.

27. Meera purchased a mixer-grinder of a reputed brand from a well-known electronic store for ₹ 5,000. Within ten days, the mixer-grinder stopped working. Meera visited the shop for repair or replacement showing the cash memo and the warranty card but the shopkeeper refused to help her. Though the product was only for ₹ 5,000, she filed a complaint at the District Consumer Disputes Redressal Forum.

The Forum ordered the store to replace the product within 30 days. They also added ₹ 1,000 as compensation for mental harassment and ₹ 800 for legal costs.

State two responsibilities fulfilled by Meera and two reliefs which Meera got through Consumer Redressal Forum. [4 marks]

Solution:

Concept:

- Consumer Protection: responsible consumers retain proof of purchase and seek redressal when a product or service is defective.
- Consumer redressal agencies can order replacement of defective goods, compensation for loss or injury, and payment of litigation costs.

Step 1: Responsibility of retaining proof of purchase **Ask for and retain a cash memo:** A consumer should obtain a cash memo for a purchase because it provides evidence of the transaction and can support a complaint. Meera fulfilled this responsibility: she approached the shopkeeper "showing the cash memo and the warranty card". These documents enabled her to establish the purchase and support her request for repair or replacement.

Step 2: Responsibility of seeking redressal **File a complaint even for a small loss:** A consumer should seek redressal for a genuine grievance rather than ignore it merely because the amount involved is small. The case states, "Though the product was only for Rs 5,000, she filed a complaint". Meera first approached the seller and, after the refusal, pursued her grievance before the District Consumer Disputes Redressal Forum.

Step 3: First relief: replacement of the product **Replacement of defective goods:** A redressal agency can direct the trader to replace defective goods with new goods free from defects. Here the Forum ordered the store "to replace the product within 30 days". This directly addressed the defect in the mixer-grinder, which had stopped working within ten days of purchase.

Step 4: Second relief: compensation **Compensation for suffering:** A consumer can receive compensation for loss or injury suffered because of a trader's conduct. Meera received "Rs 1,000 as compensation for mental harassment". This monetary relief addressed the harassment caused by the defective product and refusal to help. The Forum additionally awarded Rs 800 towards legal costs, reimbursing the expense of seeking redressal.

Step 5: Conclusion Meera retained the cash memo and sought redressal despite the small purchase value. The two reliefs identified are replacement within 30 days and Rs 1,000 compensation for mental harassment; she also received Rs 800 for legal costs.

Quick Tip to Solve: Link every responsibility and relief to a stated fact: cash memo, complaint despite the small value, replacement order, and compensation award.

28. 'Priya Motors', a motorbike manufacturing company, launched a new model of bike in the market named 'Moto Glide III'. The company planned carefully to make this bike appeal to young riders. The design team focused on making the bike attractive and stylish to the target customers, primarily the youth. They gave it a sleek body, sharp headlights and a digital speedometer. The design made the bike not just look good but also improved its aerodynamics and fuel efficiency. This helped the company stand out from other brands, thereby getting a competitive edge.

The company followed strict quality standards in making each part of the bike which helped in achieving uniformity and consistency in output. 'Priya Motors' also offered different versions of bike with different prices based on features like Bluetooth connectivity, colour options etc.

Identify and explain two functions of marketing discussed above. [4 marks]

Solution:

Concept:

- Marketing Management: Product designing and development makes a product attractive and useful to the target market and provides a competitive advantage.
- Marketing Management: Standardisation and grading establish product specifications and classify products into groups according to important characteristics.

Step 1: Product designing and development **Identification and evidence:** The first function is product designing and development. The case says that the design team made the bike "attractive and stylish" for the youth and gave it "a sleek body, sharp headlights and a digital speedometer".

Explanation: This function involves decisions about the product's design, shape, style and features so that it meets the needs and preferences of customers. Good design improves the product's appearance and utility, attracts target customers and gives the firm an advantage over competitors. Here, the design also improved aerodynamics and fuel efficiency, so it enhanced performance as well as appearance. This explains the competitive edge enjoyed by Priya Motors.

Step 2: Standardisation and grading **Identification and evidence:** The second function is standardisation and grading. The case refers to "strict quality standards" producing "uniformity and consistency in output", and to different versions with features such as Bluetooth connectivity and colour options.

Explanation: Standardisation means producing goods of predetermined specifications, including quality and other characteristics. It ensures uniform and consistent output and reduces the need to inspect every unit individually. Grading means classifying products into different groups on the basis of important characteristics such as quality, size or features. The different versions of the bike, distinguished by features and offered at different prices, illustrate this classification. Together, these activities help buyers choose a suitable version and know the standard of product they can expect.

Step 3: Conclusion The two marketing functions are **product designing and development** and **standardisation and grading**.

Quick Tip to Solve: Link styling and improved performance to product design; link uniform quality and different product versions to standardisation and grading.

29(a). Explain the following features of planning :

(i) Planning is futuristic.

(ii) Planning involves decision-making. [4 marks]

Solution:

Concept:

- Planning: Planning is futuristic because it anticipates future events and prepares the organisation to achieve its objectives.
- Planning: Planning involves decision-making because managers choose the most suitable course of action from available alternatives.

Step 1: Planning is futuristic **Looking ahead:** Planning involves looking into the future, anticipating events and deciding how to deal with them. Its purpose is to meet future events effectively and use opportunities to the organisation's advantage. A plan states what is to be achieved and what action will be taken in the period ahead.

Forecasting and preparation: Managers analyse available information and forecast conditions such as demand, competition and technology. These forecasts provide the basis for planning. For example, a firm may estimate next year's demand and plan its production and resources accordingly. Planning therefore connects present decisions with future objectives; it prepares the organisation for anticipated conditions, although it cannot eliminate uncertainty or guarantee that forecasts will be correct.

Step 2: Planning involves decision-making **Selecting from alternatives:** Planning requires a choice among alternative courses of action. Managers identify possible ways of achieving an objective, evaluate their likely costs, benefits and consequences, and select the most appropriate course in the prevailing circumstances.

Choosing the best course: The selected alternative should be feasible and help achieve the objective efficiently. For example, a firm seeking higher output may compare buying a machine with introducing an extra shift before selecting a course. If there is only one possible course of action, there is no choice and hence no need for planning in this sense. Thus, decision-making is an integral part of planning because a plan embodies a deliberate selection of what should be done.

Step 3: Conclusion Planning is **futuristic** because it anticipates future conditions, and it **involves decision-making** because it selects a suitable course from alternatives.

Quick Tip to Solve: For futuristic, explain forecasting and preparation; for decision-making, explain alternatives, evaluation and selection.

OR

29(b). Explain the following points of importance of Decentralisation :

(i) Facilitates growth

(ii) Better control [4 marks]

Solution:

Concept:

- Organising: Decentralisation means systematic dispersal of decision-making authority to lower levels, except authority that must be retained at the centre.
- Decentralisation facilitates organisational growth and makes control more effective by assigning responsibility for results to identifiable units and managers.

Step 1: (i) Facilitates growth **Develops managerial capability:** When managers at lower levels receive authority to take decisions, they gain experience in handling problems independently. Their confidence and ability to exercise judgement improve, creating a pool of competent managers for future responsibilities.

Supports expansion: This managerial competence and greater freedom allow departments and divisions to function with less dependence on top management. Top managers are relieved of many routine decisions and can devote attention to major policies and expansion. The organisation can therefore extend its activities and take on new responsibilities more readily.

Step 2: (ii) Better control **Makes accountability clear:** Decentralisation makes it possible to evaluate performance at each level and hold individual departments or managers accountable for the results of their decisions. Where objectives are not achieved, responsibility can be identified and corrective action taken.

Improves performance evaluation: Departments can be treated as responsibility centres and their achievements compared with predetermined standards. Techniques such as return on investment and management information systems help managers monitor the performance of decentralised units. Timely information and clear responsibility make control more effective even though decision-making authority is dispersed.

Step 3: Conclusion Decentralisation facilitates growth by developing capable managers and enabling independent functioning; it improves control by making responsibility identifiable and performance measurable at each level.

Quick Tip to Solve: For growth, link authority to managerial competence and expansion; for control, link clear accountability to evaluation and corrective action.

30. Aditya owned a skincare company named 'Nat-Ayur'. In July, 2025, he decided to launch a new herbal face cream in the market using traditional herbs like turmeric, sandalwood, neem, aloe vera, saffron etc.

The total cost of producing, packaging, distributing and selling the cream came to ₹ 60 per tube. 'Nat-Ayur' decided that this would be the minimum price to cover the cost. They wanted to earn a fair margin of profit too. For this 'Nat-Ayur' conducted a survey and found that the expected demand would be high. Customers were ready to pay more for herbal and chemical free products. They also found that many face creams with similar features are available in the market priced between ₹ 80 to ₹ 120. To compete effectively, 'Nat-Ayur' decided to price the cream at ₹ 99 to attract the customers while offering better benefits.

To add value to the product 'Nat-Ayur' invested in eco-friendly packaging, free home delivery and on-line advertisements. This uniqueness gives 'Nat-Ayur' a competitive freedom in fixing price of its cream.

Identify and explain any two factors that were taken into consideration by 'Nat-Ayur' for determining the price of their herbal face cream. [4 marks]

Solution:

Concept:

- Marketing Management: Price determination requires considering product cost and the extent of competition in the market, among other factors.
- Cost provides a reference for the minimum sustainable price, while competing products and their prices influence the price a firm can charge to attract buyers.

Step 1: Factor 1: Product cost **Identification and evidence:** The factor is **product cost**. The case states that the total cost of producing, packaging, distributing and selling the cream was Rs 60 per tube and that this would be the "minimum price to cover the cost".

Explanation: Product cost includes the costs of producing, distributing and selling a product. In the long run a firm must recover its total costs and earn a reasonable margin of profit to survive and grow. Thus, cost establishes the lower limit for a sustainable price. Nat-Ayur used Rs 60 as its cost-recovery reference and also considered a fair profit margin while deciding the selling price. The final price therefore needed to support both recovery of costs and the firm's profit objective.

Step 2: Factor 2: Extent of competition in the market **Identification and evidence:** The second factor is the **extent of competition in the market**. The case states that creams with "similar features" were priced between Rs 80 and Rs 120 and that Nat-Ayur chose Rs 99 "to compete effectively".

Explanation: A firm considers competitors' prices, the quality and features of their products, and the likely response of buyers before fixing its own price. Greater competition restricts the freedom to charge a high price because customers can choose close substitutes. Nat-Ayur therefore placed its cream within the prevailing price range and offered better benefits to attract customers. Its Rs 99 price reflects the influence of competing products rather than a decision based solely on its own costs.

Step 3: Conclusion Any two factors identified and explained here are **product cost** and **extent of competition in the market**, supported respectively by the Rs 60 cost and competitors' Rs 80–Rs 120 price range.

Quick Tip to Solve: For each factor, give its exact textbook name, quote the matching case evidence, and explain how that factor influenced the price.

31(a). Explain 'Co-operation, Not Individualism' as a principle of Scientific Management and 'Fatigue Study' and 'Differential Piece Wage System' as techniques of Scientific Management. [6 marks]

Solution:

Concept:

- Principles of Management: Taylor's Scientific Management promotes cooperation between management and workers and uses scientific techniques to improve productivity and workers' efficiency.
- Fatigue study determines appropriate rest intervals; the differential piece wage system links remuneration to performance against a scientifically established standard.

Step 1: Co-operation, Not Individualism

- **Joint effort towards common goals:** There should be complete cooperation between management and workers instead of individualism or competition. Both sides should realise that they need each other and work together to achieve organisational objectives. This principle extends the idea of harmony between them.
- **Participation and shared gains:** Management should welcome constructive suggestions from workers and reward suggestions that substantially reduce costs. Workers should participate in important decisions affecting them. Management should share the gains of increased productivity, while workers should avoid unreasonable demands and strikes. Open communication and mutual confidence replace an attitude of conflict.

Step 2: Fatigue Study

- **Purpose:** Fatigue study determines the amount and frequency of rest intervals required by workers while performing a task. Continuous work without rest produces physical and mental fatigue, reducing attention and efficiency and increasing the possibility of accidents.
- **Scientific rest intervals:** The study examines the causes of fatigue, such as long working hours, unsuitable working conditions or strained relations. Suitable rest intervals are provided so that workers recover and can perform at their optimum capacity. Thus, rest is planned scientifically to sustain output and workers' well-being.

Step 3: Differential Piece Wage System

- **Different rates for different performance:** Taylor proposed distinguishing efficient workers from inefficient workers through a standard of output established using work study. Workers meeting or exceeding that standard are paid at a higher piece rate; those producing below it receive a lower piece rate.
- **Financial incentive for efficiency:** The higher rate rewards efficient workers and motivates others to reach the prescribed standard. For example, if the daily standard is 10 units, a worker producing 10 or more units could receive Rs 5 per unit, while one producing fewer units receives Rs 4 per unit. The differential concerns the rate per unit, creating a clear incentive to improve performance.

Step 4: Conclusion Cooperation builds a common purpose between workers and management; fatigue study sustains efficiency through planned rest; and differential piece wages reward workers who attain the scientific output standard.

Quick Tip to Solve: Explain each technique through its purpose and operation: rest intervals for fatigue study, and two performance-linked piece rates for differential wages.

OR

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

(i) Initiative

(ii) Scalar chain

(iii) Authority and responsibility [6 marks]

Solution:

Concept:

- Principles of Management: Fayol's principles of general management guide managerial conduct and help coordinate people's efforts towards organisational goals.
- Initiative encourages employee participation, scalar chain establishes the formal line of communication, and authority must be balanced with responsibility.

Step 1: (i) Initiative

- **Freedom to propose and execute plans:** Initiative means thinking out and executing a plan. Fayol advised that employees should be encouraged to develop and carry out plans for improvement within the limits of their authority. Employees should be given opportunities to suggest changes instead of being expected merely to obey instructions mechanically.
- **Encouragement within discipline:** Managers should recognise useful suggestions and encourage employees to take the first step in pursuing organisational objectives. A suggestion scheme can reward proposals that save time or reduce costs. Initiative increases involvement and motivation, but it does not mean freedom to disobey established practices or act against organisational discipline.

Step 2: (ii) Scalar chain

- **Formal line of authority:** Scalar chain is the chain of authority and communication running from the highest rank to the lowest rank in an organisation. Ordinarily, official communication should follow this chain so that authority relationships remain clear and the concerned superiors are informed. For example, a subordinate normally communicates with a higher manager through the immediate superior.
- **Gang plank for urgent communication:** Following the entire chain may cause harmful delay in an emergency. Fayol therefore permitted a gang plank: direct contact between employees at the same level in different departments, with their superiors' knowledge or approval. This shorter route saves time while respecting the formal chain; it is an exception for urgent needs rather than a routine abandonment of hierarchy.

Step 3: (iii) Authority and responsibility

- **Right to command and obligation to perform:** Authority is the right to give orders and obtain obedience, while responsibility is the obligation to perform assigned duties satisfactorily. Fayol held that authority and responsibility go together. A person made responsible for a task must receive sufficient authority to carry it out.
- **A proper balance:** Authority should be commensurate with responsibility. Excessive responsibility without adequate authority makes performance difficult; excessive authority without matching responsibility may lead to misuse. For example, a manager responsible for meeting a production

target needs suitable authority to allocate work and obtain the necessary resources, while remaining answerable for the results.

Step 4: Conclusion Initiative develops employees' constructive participation, scalar chain provides an orderly communication route with an emergency gang plank, and a balance between authority and responsibility enables accountable performance.

Quick Tip to Solve: For scalar chain include the gang plank exception; for authority and responsibility state both meanings and explain why they must be balanced.

32. 'Freshju' is a trading company, selling bottled juices made by other manufacturers. Now, it planned to sell its juices across India. For this, 'Freshju' decided to enter into 'Juice manufacturing'. It also has ambitious plans to export its juices to other countries in the future. To meet anticipated higher demand in future, the company set-up a larger manufacturing unit. The Chief Executive Officer, Ravinder, ordered automatic juice-filling and bottling machines to increase speed, improve hygiene and for consistency in production. Since the investment was huge, instead of buying all new machinery 'Freshju' took some expensive machines on lease.

They also collaborated with a nearby packaging unit to use their packing machines during peak-season. This helped 'Freshju' to manage seasonal surges in demand without investing in additional equipment that would remain underutilized during off season.

Quoting lines from the above, identify and explain any four factors that will affect the fixed capital requirements of 'Freshju'. [6 marks]

Solution:

Concept:

- Financial Management: fixed capital refers to investment in long-term assets such as land, buildings, plant and machinery. The nature and scale of operations influence this requirement.
- The choice of technique and the availability of financing alternatives such as leasing also affect the funds required for fixed assets. The following are four factors evident in the case.

Step 1: Nature of business

- **Nature of business:** " 'Freshju' is a trading company, selling bottled juices made by other manufacturers" and " 'Freshju' decided to enter into 'Juice manufacturing'." A trading concern generally needs less fixed capital because it purchases finished goods for resale. A manufacturing concern requires investment in plant, machinery and production premises to convert inputs into finished products. Thus, the change from trading to manufacturing increases Freshju's fixed capital requirement.

Step 2: Scale of operations

- **Scale of operations:** "To meet anticipated higher demand in future, the company set-up a larger manufacturing unit." A business operating on a larger scale requires more space, plant and equipment than a smaller undertaking. Freshju's larger manufacturing unit therefore involves a higher investment in fixed assets and raises its fixed capital requirement.

Step 3: Choice of technique

- **Choice of technique:** "Ravinder, ordered automatic juice-filling and bottling machines to increase speed, improve hygiene and for consistency in production." A capital-intensive technique uses more plant and machinery and requires more fixed capital than a labour-intensive technique. The decision to use automatic machines therefore increases the funds Freshju needs for fixed assets.

Step 4: Financing alternatives

- **Financing alternatives:** "instead of buying all new machinery 'Freshju' took some expensive machines on lease." When assets are available on lease, the business can use them by paying lease rentals instead of purchasing them outright. Consequently, it needs less initial investment in fixed assets. Leasing some costly machines reduces Freshju's immediate fixed capital requirement compared with buying all of them.

Step 5: Conclusion The four factors are nature of business, scale of operations, choice of technique and financing alternatives. Manufacturing, a larger unit and automation increase the requirement, while leasing reduces the initial funds required for acquiring fixed assets.

Quick Tip to Solve: Match each case clue to a separate factor: manufacturing to nature, larger unit to scale, automation to technique and leasing to financing alternatives.

33. Greener Organic is a company producing eco-friendly fertilizers and soil boosters. With the growing interest in organic farming, the company is planning to expand its operations across India. Greener sets its target to increase its sales by 25% in the next year. This gave all departments – sales, production, marketing and logistics – a common target to work. To achieve this, Greener made a comprehensive plan to enter Tier-2 and Tier-3 cities by working with local farmer groups. They also plan to promote their brand through on-line campaigns focused on eco-friendly farming. The company also laid down broad parameters within which the managers could function. All raw materials used had to be certified organic and preferably sourced from local farmers. This would improve quality, support local people and build trust with customers. The company allocated ₹ 50 lakhs for marketing, which included funds for regional newspaper advertisements, digital marketing, promotional events and dealer incentives. By quantifying future facts and figures, the company planned to control costs and evaluate performance.

Identify and explain any four type of plans discussed in the above case. [6 marks]

Solution:

Concept:

- Planning: types of plans include objectives, strategies, policies and budgets. These plans differ in whether they state a desired result, an overall course of action, decision guidelines or numerical estimates.
- The case describes all four: a sales target, a comprehensive expansion plan, sourcing guidelines and a quantified marketing allocation.

Step 1: Objective

- **Objective:** "Greener sets its target to increase its sales by 25% in the next year." Objectives are the

desired results that management seeks to achieve through its operations. They represent the end points of planning and direct the efforts of different departments towards a common purpose. Here the specified percentage increase and time period make the sales objective clear and measurable, giving sales, production, marketing and logistics a common target.

Step 2: Strategy

- **Strategy:** "Greener made a comprehensive plan to enter Tier-2 and Tier-3 cities by working with local farmer groups." A strategy provides the broad outline of an organisation's business in the light of its environment. It includes determining long-term objectives, adopting a course of action and allocating the resources needed to achieve them. Greener's choice of new markets, collaboration with local farmer groups and online promotion of eco-friendly farming describe its overall approach to expansion and achievement of the sales target.

Step 3: Policy

- **Policy:** "The company also laid down broad parameters within which the managers could function" and "All raw materials used had to be certified organic and preferably sourced from local farmers." Policies are general statements that guide thinking and channel decisions towards organisational objectives. They provide broad boundaries within which managers exercise discretion. Here certification and the preference for local sourcing guide purchase decisions, helping maintain quality, support local people and build customer trust.

Step 4: Budget

- **Budget:** "The company allocated Rs 50 lakhs for marketing, which included funds for regional newspaper advertisements, digital marketing, promotional events and dealer incentives." A budget is a statement of expected results expressed in numerical terms. It quantifies future activities and resource requirements and serves as a standard for controlling expenditure and evaluating performance. Greener's monetary allocation sets the planned resources for its marketing activities and enables comparison of actual expenditure with the planned amount.

Step 5: Conclusion The four plans are objective, strategy, policy and budget: respectively, the sales-growth target, the market-expansion approach, the organic and local sourcing guidelines, and the quantified marketing allocation.

Quick Tip to Solve: Look for the plan's purpose: a target is an objective, an overall approach a strategy, broad decision guidelines a policy, and a numerical allocation a budget.

34(a). Explain any four psychological barriers to communication. [6 marks]

Solution:

Concept:

- Directing: psychological barriers to communication arise from the emotional or mental state of the sender and receiver.
- Effective communication requires attention, open-minded interpretation and confidence between the parties; mental attitudes can obstruct these even when the words are clear.

Step 1: Premature evaluation **Premature evaluation:** This means judging the meaning of a message before the sender has completed it. The receiver forms an opinion without listening to or reading the entire communication. Preconceived notions or prejudices can influence this judgement, so the receiver may reject or misinterpret what the sender actually intends. For example, a manager who assumes that an employee is merely making excuses may dismiss the explanation before hearing all the facts.

Step 2: Lack of attention **Lack of attention:** When the receiver's mind is preoccupied, the receiver may not listen attentively to the message. Important information can therefore be missed or misunderstood, even though the sender has expressed it clearly. For example, an employee absorbed in a personal problem may fail to register the instructions being given by a supervisor. Physical presence alone does not ensure that a message has been mentally received.

Step 3: Loss by transmission and poor retention **Loss by transmission and poor retention:** As communication passes through several successive levels, some information may be lost or distorted at each stage. Oral messages are particularly vulnerable because each person may omit or alter details while passing them on. In addition, people cannot retain all the information received over time. Inattentiveness or lack of interest further reduces retention, so the final receiver may act on an incomplete version of the original message.

Step 4: Distrust **Distrust:** If the sender and receiver do not trust each other, they may interpret a message with suspicion instead of understanding it objectively. A receiver who lacks confidence in the sender may disbelieve even accurate information or attribute a hidden motive to an ordinary instruction. This prevents free exchange and obstructs acceptance of the message. Mutual confidence is therefore essential for effective communication.

Step 5: Conclusion The four psychological barriers are premature evaluation, lack of attention, loss by transmission and poor retention, and distrust. Each obstructs the proper reception, interpretation or acceptance of a message.

Quick Tip to Solve: Use the four NCERT headings, and explain how each changes the receiver's understanding or acceptance of the message.

OR

34(b). Explain first four steps in the process of controlling. [6 marks]

Solution:

Concept:

- Controlling: the controlling process measures actual performance against planned standards and analyses deviations so that organisational activities remain directed towards goals.
- The first four steps are setting performance standards, measurement of actual performance, comparison with standards, and analysing deviations.

Step 1: Setting performance standards **Setting performance standards:** Standards are the criteria against which actual performance is measured. They serve as benchmarks for judging whether

activities are proceeding as planned. Standards should be clear, specific and measurable wherever possible, and stated in quantitative terms such as units produced, cost or time. Qualitative standards, such as improvement in employee motivation, must also be defined so that performance can be assessed meaningfully. They should be sufficiently flexible to accommodate relevant changes in circumstances.

Step 2: Measurement of actual performance **Measurement of actual performance:** Once standards have been set, actual performance is measured objectively and reliably. Methods include personal observation, sample checking, performance reports and accounting information. Measurement should use the same units as the standards, making comparison meaningful. It is generally made after completion of an activity, but, wherever feasible, performance should also be measured while work is in progress so that problems can be detected promptly.

Step 3: Comparison of actual performance with standards **Comparison of actual performance with standards:** Actual results are compared with the predetermined standards to identify deviations. Comparison becomes easier when both are expressed in the same quantitative terms. For example, if the standard is production of 1,000 units and actual output is 900 units, the comparison reveals a shortfall of 100 units. This step establishes the gap; the reasons for that gap are examined in the next step.

Step 4: Analysing deviations **Analysing deviations:** The manager determines the significance and causes of deviations. Since every minor variation cannot receive equal attention, critical point control focuses on key result areas that are vital to organisational success. Management by exception brings significant deviations beyond the permissible limits to managerial attention. The causes may include unrealistic standards, defective processes, inadequate resources or changes in the environment. Identifying the actual cause enables the manager to decide the appropriate response.

Step 5: Conclusion The first four steps are setting performance standards, measuring actual performance, comparing actual performance with standards, and analysing deviations. These establish the extent and causes of any gap between planned and actual results.

Quick Tip to Solve: Keep comparison and analysis separate: comparison identifies the gap, while analysis explains its importance and causes.