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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

Questions no. 1 to 20 are Multiple Choice Questions (MCQs), carrying 1 mark each. $20 \times 1 = 20$

1. _____ serves as an intermediary between the investor and the depository who is authorised to maintain the accounts of dematerialised shares. [1 mark]

(A) Depository Participant

(B) National Securities Depository Limited

(C) Central Depository Services Limited

(D) Stock Exchange

Correct Answer: (A) Depository Participant

Solution:

Concept:

- Financial Markets: depository services and the role of a Depository Participant.
- Use the exact role, feature or responsibility described in the question to distinguish closely related textbook terms.

Step 1: Identify the intermediary A Depository Participant (DP) acts as the link between an investor and a depository. The investor opens and operates the demat account through a DP, which is authorised to maintain the account of dematerialised securities.

Step 2: Eliminate the other institutions National Securities Depository Limited and Central Depository Services Limited are depositories themselves, so options (B) and (C) do not name the intermediary. A stock exchange provides a market for trading existing securities; this is different from maintaining the investor's demat account. Hence option (D) is also unsuitable.

Step 3: Conclusion A Depository Participant serves as the intermediary. Hence, the correct option is (A).

Quick Tip to Solve: In a demat question, distinguish the depository from the participant through whom the investor operates the account.

2. On Raksha Bandhan, Reena received a gift from her brother. After removing the gift wrap paper, she saw a decorative cardboard box. Inside the box, she found a small glass bottle containing an expensive face cream. Both the decorative cardboard box and the glass bottle had a beautiful label displaying the brand name, ingredients, expiry date, etc.

Which level of packaging does the glass bottle represent ? [1 mark]

(A) Primary packaging

(B) Transportation packaging

(C) Secondary packaging

(D) General packaging

Correct Answer: (A) Primary packaging

Solution:

Concept:

- Marketing Management: packaging and its primary, secondary and transportation levels.
- Use the exact role, feature or responsibility described in the question to distinguish closely related textbook terms.

Step 1: Identify the immediate container Primary packaging is the product's immediate container. Here the glass bottle directly contains the expensive face cream. The decisive words are "a small glass bottle containing an expensive face cream". Its material or decorative label does not alter its packaging level.

Step 2: Distinguish the other levels The decorative cardboard box provides an additional layer and is secondary packaging, so (C) does not describe the bottle. Transportation packaging protects products during storage, identification and transport, often through larger cartons, so (B) is incorrect. General packaging in (D) is not the specific NCERT level that identifies the immediate container.

Step 3: Conclusion The glass bottle represents primary packaging. Hence, the correct option is (A).

Quick Tip to Solve: Ask which container directly holds the product; that container is the primary package.

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

Assertion (A) : Holding shares in demat form is very convenient as it is just like a bank account.

Reason (R) : Securities and Exchange Board of India (SEBI) has made it mandatory for the settlement procedures to take place in demat form.

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

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

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

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

Solution:

Concept:

- Financial Markets: dematerialisation, electronic holding of securities and settlement.
- Use the exact role, feature or responsibility described in the question to distinguish closely related textbook terms.

Step 1: Judge the assertion Assertion (A) is true. A demat account records securities electronically, much as a bank account records money. Securities can be credited, held and debited without handling physical share certificates, making their holding and transfer convenient.

Step 2: Judge the reason Reason (R) is true in the textbook context: SEBI has made settlement procedures in demat form mandatory. The statement concerns the prescribed method of settlement, rather than the practical reason that electronic holding resembles a bank account.

Step 3: Test the explanatory link and alternatives The convenience in the assertion comes from electronic account-based holding and transfer, not from the fact that demat settlement is mandatory. Thus (D), which claims an explanatory link, fails. Options (A) and (B) wrongly treat the assertion as false; (B) also treats the reason as false. Option (C) alone correctly combines the two true statements without claiming that the reason explains the assertion.

Step 4: Conclusion Both A and R are true, but R is not the correct explanation of A. Hence, the correct option is (C).

Quick Tip to Solve: For assertion-reason questions, test truth first and then ask whether the reason explains the precise claim in the assertion.

4. Read the following statements carefully :

Statement I : Business environment includes both specific and general forces.

Statement II : Specific forces have an impact on all business enterprises and thus may affect an individual firm only indirectly.

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

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

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

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

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

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

Solution:

Concept:

- Business Environment: specific and general forces as features of the business environment.
- Use the exact role, feature or responsibility described in the question to distinguish closely related textbook terms.

Step 1: Assess Statement I Statement I is true. Business environment includes specific forces, such as customers, suppliers, competitors and investors, as well as general forces, such as economic, social, political, legal and technological conditions.

Step 2: Correct the classification in Statement II Statement II is false because specific forces directly affect an individual enterprise in its day-to-day working. The description of forces affecting all enterprises and influencing an individual firm indirectly belongs to general forces. Therefore (B) wrongly reverses the truth values, (C) wrongly accepts Statement II, and (D) wrongly rejects Statement I.

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

Quick Tip to Solve: Use direct impact on a particular firm to recognise specific forces; broader indirect influences are general forces.

5. Which of the following statements are correct with respect to the benefits the organisation would get by imparting training to its employees ?

(i) Training equips the future manager who can take over in case of an emergency.

(ii) Training makes an employee more efficient to handle machines and thus, they are less prone to accidents.

(iii) Training increases the satisfaction and morale of the employees.

(iv) Training enhances employee productivity, both in terms of quantity and quality, leading to higher profits.

Options : [1 mark]

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

(B) (ii) and (iii)

(C) (i) and (iv)

(D) (i) and (ii)

Correct Answer: (C) (i) and (iv)

Solution:

Concept:

- Staffing: benefits of training to the organisation compared with benefits to employees.
- Use the exact role, feature or responsibility described in the question to distinguish closely related textbook terms.

Step 1: Select the organisational benefits Statement (i) is an organisational benefit: training prepares future managers to take over during an emergency, supporting continuity. Statement (iv) is also an organisational benefit: higher quantity and quality of output improve productivity and lead to higher profits.

Step 2: Separate employee benefits and check the options In the NCERT classification, (ii), greater efficiency in handling machines and reduced proneness to accidents, and (iii), increased satisfaction and morale, are benefits to employees. The question specifically asks about benefits to the organisation. Option (A) includes both employee benefits, (B) consists only of those employee benefits, and (D) includes (ii) while omitting the productivity benefit in (iv). Thus only (C) gives the required pair.

Step 3: Conclusion The organisational benefits are (i) and (iv). Hence, the correct option is (C).

Quick Tip to Solve: Apply the NCERT classification: managerial succession and higher profits benefit the organisation; safety and morale benefit employees.

6. Which of the following is not an advantage of divisional structure of an organisation ? [1 mark]

(A) It helps in development of varied skills in the divisional head which prepares him for higher positions.

(B) It promotes flexibility and initiative, because each division functions as an autonomous unit, leading to faster decision making.

(C) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations.

(D) It leads to minimal duplication of effort which results in economies of scale and lowers cost.

Correct Answer: (D) It leads to minimal duplication of effort which results in economies of scale and lowers cost.

Solution:

Concept:

- Organising: advantages and limitations of divisional organisational structure.
- Use the exact role, feature or responsibility described in the question to distinguish closely related textbook terms.

Step 1: Check the genuine advantages A divisional head handles several functions for a product division, developing varied skills and preparing for higher positions, as in (A). Autonomous divisions promote flexibility, initiative and faster decisions, as in (B). New product divisions can also be added without disrupting existing operations, as in (C). These are advantages.

Step 2: Identify the statement that does not fit Divisional structure duplicates functions and resources across product divisions, which can raise costs. Therefore minimal duplication and economies of scale in (D) are not an advantage of this structure. Such savings are associated with functional specialisation and avoiding repeated functional departments. Since the question asks for the statement that is not an advantage, (A), (B) and (C) must be rejected.

Step 3: Conclusion Minimal duplication leading to economies of scale is not an advantage of divisional structure. Hence, the correct option is (D).

Quick Tip to Solve: Notice the word “not”: separate product divisions repeat functional resources, so they can increase costs.

7. From the picture given below, identify the responsibility that the consumer is fulfilling while purchasing 'Ready-to-Eat Pasta' : [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) Assert yourself to ensure that you get a fair deal.

(C) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.

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

Correct Answer: (C) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.

Solution:

Concept:

- Consumer Protection: consumer responsibility to read labels before purchasing goods.
- Use the exact role, feature or responsibility described in the question to distinguish closely related textbook terms.

Step 1: Interpret the picture The consumer is looking closely at the information panel on the food package and pointing to the printed label. This shows the responsibility of reading labels carefully to obtain information such as price, net weight, manufacturing date, expiry date and other product particulars.

Step 2: Match the action to the alternatives Option (C) describes the observed act directly. Option (A) concerns awareness of the range of goods and services in the market, rather than examining this package. Option (B) concerns asserting oneself for a fair deal; the picture shows no such interaction. Option (D) requires asking for a cash memo, whereas no bill or request for one is shown.

Step 3: Conclusion The consumer is fulfilling the responsibility of reading labels carefully. Hence, the correct option is (C).

Quick Tip to Solve: Match a picture question to the action actually shown: inspecting a package information panel means reading the label.

OR

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 7.

7. Which of the following consumer rights under Consumer Protection Act, 2019 gives the freedom to consumers to access a variety of products at competitive prices ? [1 mark]

(A) Right to be informed

(B) Right to be assured

(C) Right to consumer education

(D) Right to be heard

Correct Answer: (B) Right to be assured

Solution:

Concept:

- Consumer Protection: the right to be assured gives consumers access to a variety of goods and services at competitive prices.
- The consumer can choose among available alternatives according to personal needs and preferences.

Step 1: Identify the right from the wording The decisive words are 'access a variety of products at competitive prices'. These describe the right to be assured. It protects the consumer's freedom to choose from available goods and services rather than being forced to accept one particular product. Hence option (B) matches the stated freedom.

Step 2: Distinguish the remaining rights Option (A), the right to be informed, concerns information about quality, quantity, purity, standard and price; it does not specifically describe access to alternatives. Option (C), the right to consumer education, concerns acquiring knowledge and skills to become an informed consumer. Option (D), the right to be heard, concerns having consumer interests considered and complaints heard. None of these is the right defined by variety and competitive prices.

Step 3: Conclusion The correct option is (B): Right to be assured.

Quick Tip to Solve: Link 'variety of products at competitive prices' with the right to be assured; link product particulars with the right to be informed.

8. 'Gamma Ltd.', with its state-of-the-art manufacturing set-up in Karnesha, produces smartphones for the Indian market. Rapid technological improvements, changing consumer preferences and the entry of new competitors in the market push the company to revise its plans frequently. This reflects which characteristic of business environment ? [1 mark]

(A) Inter-relatedness

(B) Dynamic nature

(C) Complexity

(D) Relativity

Correct Answer: (B) Dynamic nature

Solution:

Concept:

- Business Environment: dynamic nature means that the environment keeps changing through technology, consumer preferences and competitive conditions.
- A business must monitor these changes and adapt its plans to remain effective.

Step 1: Identify the environmental feature The case highlights repeated changes: 'Rapid technological improvements, changing consumer preferences and the entry of new competitors'. The need to 'revise its plans frequently' shows that the environment is dynamic, because it does not remain static over time.

Step 2: Eliminate the other features Inter-relatedness (A) means that environmental dimensions influence one another; the case instead stresses continual change. Complexity (C) means the environment is difficult to understand as a whole because of numerous interacting forces. Relativity (D) means it differs across countries or regions. Neither is the characteristic directly highlighted here.

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

Quick Tip to Solve: Frequent revision of business plans in response to change points to dynamic nature.

9. 'Radhe Textiles', a children's garment manufacturing business, and Ghanshyam Garments, a home furnishing manufacturing business operate in the same industrial area. Both companies jointly set up a common dyeing and finishing plant. This was because the scale of operations of each of them was not sufficient to make full use of the plant. With both of them jointly using the plant, the requirement of fixed capital for each company will now be : [1 mark]

(A) Higher than earlier

(B) Lower than earlier

(C) Same as earlier

(D) Nil

Correct Answer: (B) Lower than earlier

Solution:

Concept:

- Financial Management: level of collaboration is a factor affecting fixed capital requirements.

- Sharing a capital-intensive facility reduces the investment each collaborating enterprise must make in fixed assets.

Step 1: Apply the collaboration factor The firms 'jointly set up a common dyeing and finishing plant' because neither could fully utilise it individually. By sharing the facility, each avoids having to invest separately in a complete plant and makes better use of its available capacity.

Step 2: Compare the alternatives The fixed capital requirement of each firm is therefore lower (B). It is not higher (A), since the shared arrangement reduces separate investment. It does not remain the same (C), because collaboration changes the asset requirement. It is not nil (D): both firms still need fixed assets and must contribute towards the common facility.

Step 3: Conclusion The fixed capital requirement of each company will be lower than earlier. Hence, the correct option is (B).

Quick Tip to Solve: A shared plant signals collaboration, which lowers each firm's fixed capital requirement.

10. 'RAVL' is a company manufacturing LED bulbs. To ensure efficiency in production, the workers are given monthly targets. For the month of October 2025, the workers were given a target to produce 8,000 bulbs. At the end of the month, it was found that actual production was only 6,000 bulbs. After investigation, it was found that the target was not met due to shortage of trained workers. To resolve the problem, the Production Manager arranged training programmes for workers and also hired additional workers.

Which step of the controlling process was followed by the Production Manager to resolve the problem of shortage of trained workers ? [1 mark]

(A) Setting performance standards

(B) Measurement of actual performance

(C) Comparing actual performance with standards

(D) Taking corrective action

Correct Answer: (D) Taking corrective action

Solution:

Concept:

- Controlling: taking corrective action removes the causes of deviations between actual performance and standards.
- Corrective measures must address the reason identified through analysis of the deviation.

Step 1: Connect the remedy with the deviation The company identified a shortage of trained workers as the cause of the shortfall. The manager then 'arranged training programmes for workers and also hired additional workers'. These measures directly remedy the identified cause and represent taking corrective action.

Step 2: Distinguish the earlier steps Setting standards (A) occurred when the target of 8,000 bulbs was fixed. Measurement (B) occurred when actual production of 6,000 bulbs was recorded. Comparing actual performance with standards (C) revealed the shortfall of 2,000 bulbs. The question asks about the subsequent action taken to resolve the staffing problem, so these earlier steps do not answer it.

Step 3: Conclusion The step is taking corrective action. Hence, the correct option is (D).

Quick Tip to Solve: Match the manager's remedy to the final controlling step: taking corrective action.

11. Which of the following is not a limitation of internal sources of recruitment ? [1 mark]

(A) It reduces the scope of induction of fresh talent in the organization.

(B) The employees may become lethargic if they are sure of time-bound promotions.

(C) It may lead to dissatisfaction and frustration among existing employees as they may feel that their chances of promotion are reduced.

(D) The spirit of competition among the employees may be hampered.

Correct Answer: (C) It may lead to dissatisfaction and frustration among existing employees as they may feel that their chances of promotion are reduced.

Solution:

Concept:

- Staffing: internal recruitment fills vacancies through transfers and promotions of existing employees.
- Its limitations include restricted fresh talent, possible employee lethargy and reduced competitive spirit.

Step 1: Identify the statement outside internal recruitment limitations Option (C) describes dissatisfaction among existing employees because their promotion opportunities are reduced. This is a limitation of external recruitment: appointing outsiders to higher positions may disappoint employees who expected promotion. Internal recruitment normally provides promotion opportunities to existing staff.

Step 2: Check the remaining statements Option (A) is a limitation of internal recruitment because choosing only existing employees restricts fresh talent. Option (B) is also a limitation: assured time-bound promotion may make employees lethargic. Option (D) is a limitation because internal recruitment may hamper competitive spirit. Thus, each of these belongs to the limitations the question asks us to exclude.

Step 3: Conclusion The statement that is not a limitation of internal recruitment is (C).

Quick Tip to Solve: Read the word 'not' carefully: reduced promotion chances point to external recruitment.

12. 'A manager motivates and leads his team in such a manager that individual members are able to achieve personal goals while contributing to the organisational objective.'

The point of importance of management highlighted above is : [1 mark]

(A) Management helps in achieving group goals

(B) Management helps in increasing efficiency

(C) Management helps in achieving personal objectives

(D) Management helps in the development of society

Correct Answer: (C) Management helps in achieving personal objectives

Solution:

Concept:

- Nature and Significance of Management: management helps employees achieve personal objectives through motivation and leadership.
- Management reconciles individual needs and organisational goals so that employees can pursue both together.

Step 1: Use the decisive case words The phrase 'individual members are able to achieve personal goals while contributing to the organisational objective' directly identifies achievement of personal objectives. The manager motivates and leads employees so that their individual aspirations can be fulfilled while they work for the organisation.

Step 2: Distinguish the other points of importance Achieving group goals (A) emphasises directing collective effort towards a common organisational objective; it does not capture the specific focus on personal goals. Increasing efficiency (B) concerns reducing costs and improving productivity through better resource use. Development of society (D) concerns wider social benefits. Neither of these is stated in the case.

Step 3: Conclusion Management helps in achieving personal objectives. Hence, the correct option is (C).

Quick Tip to Solve: When motivation links employees' personal goals with organisational goals, choose personal objectives.

13. Match the step of the process of organising given in Column-I with its explanation given in Column-II :

Column-I	Column-II
1. Departmentalisation	(i) Each individual is told who he has to take orders from and to whom he is accountable
2. Establishing authority and reporting relationships	(ii) The work is divided into manageable activities so that duplication can be avoided and burden of work can be shared among the employees
3. Identification and division of work	(iii) Work of different job positions is defined and work allocated to various employees in accordance with their skills and competencies
4. Assignment of duties	(iv) Activities of a similar nature are grouped together, which facilitates specialization

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

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

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

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

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

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

Solution:

Concept:

- Organising: identification and division of work, departmentalisation, assignment of duties, and establishment of authority and reporting relationships are the organising steps.
- Each step has a distinct purpose: dividing activities, grouping similar work, allocating duties and clarifying accountability.

Step 1: Match the definitions Departmentalisation groups activities of a similar nature, so 1 matches (iv). Establishing authority and reporting relationships clarifies who takes orders from whom and who is accountable to whom, so 2 matches (i). Identification and division of work breaks work into manageable activities and avoids duplication, so 3 matches (ii). Assignment of duties allocates defined work according to skills and competencies, so 4 matches (iii).

Step 2: Test the printed codes Only option (B) contains all four matches. Option (A) wrongly equates departmentalisation with reporting relationships. Option (C) correctly matches the first two entries but interchanges division of work and assignment of duties. Option (D) incorrectly pairs departmentalisation with division of work and also misidentifies the other steps.

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

Quick Tip to Solve: First match grouping with departmentalisation and skills-based allocation with assignment of duties.

14. The market where existing securities are traded is known as : [1 mark]

(A) Both Primary and Secondary Market

(B) Primary Market

(C) Secondary Market

(D) Money Market

Correct Answer: (C) Secondary Market

Solution:

Concept:

- Financial Markets: the secondary market facilitates purchase and sale of existing securities among investors.
- The primary market deals with new securities issued by companies, while the secondary market provides liquidity to securities already issued.

Step 1: Identify the relevant market The decisive word is existing. These securities have already been issued and are subsequently bought and sold among investors in the secondary market. Such trading gives investors an opportunity to sell their investments and provides liquidity to securities.

Step 2: Eliminate the other market choices Option (B), primary market, is incorrect because it concerns the issue of new securities. Option (A) is incorrect because both markets cannot be classified as the market for trading existing securities: the primary market has a different function. Option (D), money market, refers to short-term funds and instruments with maturity up to one year; it is not the classification sought by the new-versus-existing distinction.

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

Quick Tip to Solve: Use the issue-versus-trade distinction: new securities mean primary; existing securities mean secondary.

15. The number of times earnings before interest and taxes of a company cover the interest obligation is referred to as : [1 mark]

(A) Capital structure

(B) Financial leverage

(C) Interest Coverage Ratio

(D) Debt-Service Coverage Ratio

Correct Answer: (C) Interest Coverage Ratio

Solution:

Concept:

- Financial Management: interest coverage ratio measures the ability to meet interest obligations from earnings before interest and taxes.
- Capital structure decisions take account of a company's ability to service the fixed financial charge on debt.

Step 1: Identify the measure described The words 'number of times earnings before interest and taxes ... cover the interest obligation' describe the interest coverage ratio. A higher coverage indicates a greater cushion of earnings available for paying interest.

Step 2: Eliminate the other measures Capital structure, option (A), is the mix of debt and equity. Financial leverage, option (B), concerns the use of debt carrying fixed financial charges. Debt-Service Coverage Ratio, option (D), covers the ability to meet debt-service commitments, including repayment of principal as well as interest. These are distinct from the interest-only coverage asked here.

Step 3: Conclusion The correct option is (C): Interest Coverage Ratio.

Quick Tip to Solve: When the wording compares earnings before interest and taxes with interest alone, identify interest coverage ratio.

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

Assertion (A) : Workload analysis and workforce analysis are important to understand the manpower requirements.

Reason (R) : It helps the organization to know whether it is overstaffed, understaffed or optimally staffed.

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

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

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

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

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

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

Solution:

Concept:

- Staffing: estimating manpower requirements involves workload analysis and workforce analysis.
- Workload analysis identifies the number and type of employees required; workforce analysis examines the employees already available.

Step 1: Judge the Assertion Assertion (A) is true. Workload analysis assesses the personnel needed to carry out the work, while workforce analysis assesses the existing workforce. Together they establish manpower requirements.

Step 2: Judge the Reason Reason (R) is true. Comparing the workforce available with the workforce required reveals whether the organisation is overstaffed, understaffed or optimally staffed.

Step 3: Check the explanatory link and the alternatives The reason explains why the two analyses are important: they reveal a shortage, surplus or appropriate level of personnel and guide staffing action. Thus option (B) is incorrect because there is an explanatory link. Options (C) and (D) are incorrect because neither statement is false.

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

Quick Tip to Solve: Compare manpower required with manpower available; the resulting staffing gap explains the purpose of both analyses.

17. Read the following statements carefully :

Statement I : Higher fixed operating costs result in higher business risk.

Statement II : If the firm's business risk is lower, the firm's capacity to use debt is higher.

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

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

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

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

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

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

Solution:

Concept:

- Financial Management: business risk is the risk of being unable to meet fixed operating costs.
- The capital structure decision considers business risk before adding the financial risk associated with debt.

Step 1: Assess Statement I Statement I is true. Fixed operating costs must be paid even when sales decline. Higher fixed operating costs therefore increase the risk that operating earnings will be insufficient to cover these commitments.

Step 2: Assess Statement II and eliminate alternatives Statement II is also true. A business with lower business risk is better placed to bear the additional fixed financial commitment of interest, so its capacity to use debt is higher. Option (A) incorrectly rejects Statement II, option (B) incorrectly rejects Statement I, and option (D) rejects both true statements.

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

Quick Tip to Solve: Separate operating commitments from financing commitments: low business risk allows greater capacity to bear debt-related financial risk.

18. Shikha, a first-time investor, was excited yet nervous about investing in the stock market as she felt it was risky. She sought guidance from her friend, Rama, who was an experienced investor. Rama assured Shikha that it is safe to invest in the stock market as the membership of stock exchange is regulated by Securities and Exchange Board of India (SEBI). She also told Shikha that SEBI performs various functions to protect the rights and interests of investors.

Which of the following functions mentioned by Rama is not a protective function of SEBI ? [1 mark]

(A) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging, etc.

(B) Conducting research and publishing information useful to all market participants.

(C) Controlling insider trading and imposing penalties for such practices.

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

Correct Answer: (B) Conducting research and publishing information useful to all market participants.

Solution:

Concept:

- Financial Markets: SEBI performs protective, regulatory and developmental functions.
- Protective functions directly guard investors against unfair practices and promote fair dealing in the securities market.

Step 1: Identify the function outside the protective category The question asks for the function that is not protective. Option (B), 'Conducting research and publishing information useful to all market participants', is classified among the regulatory functions of SEBI in NCERT. It supports market oversight and informed participation.

Step 2: Check each protective alternative Option (A) is protective because prohibiting fraudulent and unfair trade practices safeguards investors from manipulation. Option (C) is protective because controlling insider trading and imposing penalties prevents misuse of confidential information. Option (D) is protective because fair practices and a code of conduct promote honest dealings. Hence none of these three satisfies the word 'not'.

Step 3: Conclusion The correct option is (B): Conducting research and publishing information useful to all market participants.

Quick Tip to Solve: For a negative SEBI question, classify every activity first; research and publication belongs to regulatory functions.

19. 'Bright Appliances Ltd.' plans to launch a new product line of energy-efficient air purifiers. To ensure a smooth launch of the air purifiers, the company needs to arrange adequate funds. For this, the Finance Manager estimates the fund requirements and specifies the source of funds the company should use. The process followed by the Finance Manager is called : [1 mark]

(A) Financial planning

(B) Financial management

(C) Financial leverage

(D) Investment decision

Correct Answer: (A) Financial planning

Solution:

Concept:

- Financial Management: financial planning estimates the funds required and specifies their sources.
- Financial planning seeks to ensure that adequate funds are available when needed while avoiding unnecessary surplus funds.

Step 1: Identify the process from the case The process is financial planning. The Finance Manager 'estimates the fund requirements and specifies the source of funds'. These two actions identify how much finance the product launch requires and where that finance will come from.

Step 2: Distinguish the other options Financial management, option (B), is the broader activity of managing financial decisions to maximise shareholder wealth. Financial leverage, option (C), concerns the use of debt with fixed financial charges. An investment decision, option (D), concerns the allocation of funds to assets. The case specifically describes estimating requirements and determining sources, rather than these other concepts.

Step 3: Conclusion The correct option is (A): Financial planning.

Quick Tip to Solve: Look for the paired clues 'estimating fund requirements' and 'specifying sources' to identify financial planning.

20. 'Sumi', a well-established domestic car manufacturer, anticipates entry of a premium foreign automobile brand in the country. The management of the company foresees a decline in the market share, especially in the premium segment. To retain its market share and stay competitive, the company launches aggressive advertising and takes measures to reduce the cost of production. It further invests in improving product quality, introducing new features and aligning their cars with international standards.

The point of importance of business environment described above is : [1 mark]

(A) It helps in coping with rapid changes.

(B) It helps in tapping useful resources.

(C) It enables a firm to identify opportunities and getting the first mover advantage.

(D) It helps the firm to identify threats and early warning signals.

Correct Answer: (D) It helps the firm to identify threats and early warning signals.

Solution:

Concept:

- Business Environment: awareness of the environment helps a firm identify threats and early warning signals.
- A threat is an external trend or change that may hinder a firm's performance; timely identification enables a suitable response.

Step 1: Identify the environmental signal in the case The point is that environmental understanding helps the firm identify threats and early warning signals. Sumi 'anticipates entry of a premium foreign automobile brand' and 'foresees a decline in the market share'. The expected competitor is therefore an advance warning of a threat.

Step 2: Explain the response and reject alternatives Advertising, cost reduction and improvements in quality and features are responses to that identified competitive threat. Option (A), coping with rapid changes, is broader; the decisive case clues concern anticipating a specific danger before it affects market share. Option (B) concerns obtaining useful resources, which is not described. Option (C) concerns spotting a favourable opportunity and gaining first mover advantage, whereas the expected entry poses a threat to the existing firm.

Step 3: Conclusion The correct option is (D): It helps the firm to identify threats and early warning signals.

Quick Tip to Solve: An expected competitor together with a predicted loss of market share signals a threat; read the warning before its defensive response.

21. Aditi purchased a high speed blender from an online retailer for ₹ 2,000. When she used it to prepare soup, it made a loud noise. It also failed to blend properly and emitted an unusual smell. She first contacted the online retailer through their toll-free helpline. They told her that they were responsible only for selling the blender and were not responsible for defects. Aditi then collected all relevant proofs such as the invoice and records of her communication etc. Then she contacted the customer service team of the manufacturer. The technical team inspected the blender and confirmed that the motor was defective. Despite this, the manufacturer neither replaced the blender, nor refunded her money. They stopped responding to Aditi's calls. Aditi was frustrated and filed a complaint against the manufacturer in the appropriate consumer court.

State any three reliefs available to Aditi if the consumer court is satisfied about the defect in the high speed blender. [3 marks]

Solution:

Concept:

- Consumer Protection: Consumer redressal machinery can direct a trader or manufacturer to provide suitable relief when a defect in goods is established.
- Reliefs include removal of the defect, replacement with defect-free goods, and refund of the price paid. These are alternative remedies suited to the circumstances of the complaint.

Step 1: Identify the basis for relief The manufacturer's technical team inspected the blender and 'confirmed that the motor was defective'. Thus, the complaint concerns a defect in goods. If the consumer court is satisfied about this defect, any three of the following textbook reliefs are available to Aditi.

Step 2: State three available reliefs

- **Removal of defect:** The court can order the manufacturer to remove the defect in the blender. This would require rectifying the defective motor so that the blender functions properly.
- **Replacement of goods:** The court can order replacement of the defective blender with a new blender free from any defect. This gives Aditi a properly functioning product in place of the faulty one.
- **Refund of price:** The court can order refund of the price paid for the blender, namely Rs 2,000. This returns the consideration paid by Aditi for the defective product.

Step 3: Conclusion The three reliefs are removal of the defect, replacement with a defect-free blender, and refund of Rs 2,000, as appropriately ordered by the court.

Quick Tip to Solve: When asked for reliefs, state the actual court orders: repair, replace or refund; do not merely list consumer rights.

22. 'KUL', an eco-friendly stationery brand is expanding its business in three different markets. For this, it uses different promotional strategies in each market.

In the corporate gifting market, the company appoints salespersons to contact prospective corporate clients and create awareness about its eco-friendly stationery with the aim of making a sale. In the international market, the company focuses on managing public opinion and building a positive image for its product. It disseminates information and builds goodwill about the business. In the domestic retail market, the company offers cash discounts, free gifts, etc. to encourage the buyers to make immediate purchase of its product.

Identify and state three different promotion tools used by 'KUL' to expand its business in each of the markets. [3 marks]

Solution:

Concept:

- Marketing Management: The promotion mix comprises tools used to inform and persuade customers and build favourable attitudes towards a business and its products.
- Personal selling involves personal communication for making a sale; public relations builds goodwill; sales promotion uses short-term incentives to encourage purchases.

Step 1: Corporate gifting market: Personal selling

- **Personal selling:** This is oral presentation of a message through conversation with one or more prospective buyers for the purpose of making sales. KUL 'appoints salespersons to contact prospective corporate clients' and creates awareness 'with the aim of making a sale'. Direct interaction with prospective customers identifies personal selling.

Step 2: International market: Public relations

- **Public relations:** This comprises activities designed to promote or protect the image of a company and its products. KUL focuses on 'managing public opinion and building a positive image' and 'builds goodwill about the business'. These expressions identify public relations, whose concern is favourable relations and reputation among the public.

Step 3: Domestic retail market: Sales promotion

- **Sales promotion:** This refers to short-term incentives designed to encourage buyers to make an immediate purchase of a product or service. KUL offers 'cash discounts, free gifts, etc.' to stimulate immediate purchase. These incentives identify sales promotion.

Step 4: Conclusion KUL uses personal selling in corporate gifting, public relations internationally, and sales promotion in domestic retail.

Quick Tip to Solve: Match the case signals: salespersons mean personal selling, goodwill means public relations, and immediate incentives mean sales promotion.

23(a). Explain the following functions of Marketing :

(i) Marketing planning

(ii) Customer support services [3 marks]

Solution:

Concept:

- Marketing Management: Marketing functions include preparing a marketing plan and providing customer support services to satisfy customer needs and achieve organisational objectives.
- Marketing planning coordinates decisions about targets and the marketing programme. Customer support services help customers before and after purchase and improve satisfaction.

Step 1: Explain marketing planning

- **Marketing planning:** This is the preparation of an appropriate marketing plan to achieve an organisation's marketing objectives. It specifies what is to be achieved and the programme of action required to achieve it. For example, a marketer seeking to increase market share must decide the level of production, promotion and other necessary actions. A marketing plan can cover the product, distribution, promotion and pricing decisions, and provides a coordinated direction for marketing activities.

Step 2: Explain customer support services

- **Customer support services:** These are services provided to customers to help them purchase and use the product satisfactorily. They include after-sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services and consumer information. Their purpose is to provide maximum satisfaction to customers. Such services help in obtaining, retaining and growing the customer base: customers receive assistance when difficulties arise and are more likely to continue their relationship with the firm.

Step 3: Conclusion Marketing planning sets out objectives and the action programme, while customer support services assist customers and enhance satisfaction throughout their relationship with the firm.

Quick Tip to Solve: For planning, explain objectives plus an action programme; for support, give concrete services and link them to customer satisfaction.

OR

23(b). Explain the following factors which affect the fixation of price of a product :

(i) Extent of competition in the market

(ii) Marketing methods used [3 marks]

Solution:

Concept:

- Marketing Management: price determination is affected by the extent of competition and the marketing methods adopted by the business.
- A firm considers rival offerings and the costs of selling facilities when deciding what customers

should pay.

Step 1: (i) Extent of competition in the market **Competition and pricing freedom:** The price of a product is affected by the nature and degree of competition. Where there is little or no competition, a firm may enjoy greater freedom in fixing its price. Under intense competition, it normally cannot charge a substantially higher price for a similar product because buyers can switch to rival offerings.

Competitors' offerings: The firm must examine the prices, quality and features of competing products before fixing its own price. These provide an important reference point. A higher price needs to be supported by superior quality or additional benefits that customers value.

Step 2: (ii) Marketing methods used **Selling expenses and facilities:** Pricing is affected by the marketing methods adopted. Heavy advertising, an extensive distribution network, attractive packaging, credit facilities, customer services and sales-promotion measures involve expenditure.

Effect on price: The firm must take these costs into account when determining its price. For example, a seller allowing credit or providing substantial after-sales support has to consider the associated costs. A seller using less expensive marketing methods may be able to offer a lower price. Thus, the level and kind of marketing effort affect the price decision.

Step 3: Conclusion Competition influences the price a firm can charge, while the marketing methods used influence the selling costs and facilities that pricing must take into account.

Quick Tip to Solve: Link competition to rival prices and pricing freedom; link marketing methods to advertising, distribution, credit and service costs.

24(a). Distinguish between Capital Market and Money Market on the following basis :

(i) Investment outlay

(ii) Duration

(iii) Safety [3 marks]

Solution:

Concept:

- Financial Markets: the capital market provides medium- and long-term funds, while the money market provides short-term funds.
- The markets differ in the investment amount generally needed, the duration of their instruments and the degree of risk involved.

Step 1: Identify the required bases of comparison The distinction should be made on the three bases named in the question: investment outlay, duration and safety. Investment outlay refers to the amount required to participate, whereas duration refers to the period for which funds are raised. Safety concerns the risk of loss on an investment.

Step 2: Distinguish the two markets

Basis	Capital Market	Money Market
Investment outlay	Investment does not necessarily require a huge financial outlay. The value of individual units of securities is generally low, so relatively small sums can be invested.	Transactions generally involve a huge financial outlay because the instruments are dealt in large denominations.
Duration	Deals in medium- and long-term securities, generally for more than one year. Some securities, such as equity shares, have no fixed maturity.	Deals in short-term securities whose maximum maturity is one year.
Safety	Investments generally carry greater risk, including risk concerning returns and repayment.	Instruments are generally much safer because funds are invested for a short period and issuers usually have strong financial standing.

Step 3: Conclusion Thus, capital-market investment can begin with smaller amounts but generally involves a longer period and greater risk; money-market transactions usually require large amounts and involve short-term, comparatively safer instruments.

Quick Tip to Solve: Use the exact three bases given: amount needed, maturity period and relative safety. Safer does not mean completely risk-free.

OR

24(b). Give any three differences between Primary Market and Secondary Market. [3 marks]

Solution:

Concept:

- Financial Markets: the primary market is the market for new securities, while the secondary market deals in securities already issued.
- The distinction concerns the securities traded, the parties to the transaction and whether the issuing company receives fresh funds.

Step 1: Identify the two market segments The primary market is also called the new issue market. Companies approach it to issue securities to investors and raise funds. The secondary market is the market for existing securities; it allows investors to buy and sell securities that have already been issued. The following three differences explain their distinct roles.

Step 2: State three differences

Basis	Primary Market	Secondary Market
Nature of securities	Deals in new securities issued for the first time, including further fresh issues by an existing company.	Deals in the purchase and sale of existing securities that have already been issued.
Parties to transactions	Securities are sold by the issuing company to investors, either directly or through intermediaries.	Securities are bought and sold between investors; the issuing company is not the seller in these transactions.
Flow of funds and capital formation	The issue proceeds go to the company and directly provide funds for investment and capital formation.	Sale proceeds go to the selling investor. Trading does not directly provide fresh funds to the company, but supplies liquidity and indirectly encourages investment in new issues.

Step 3: Conclusion The primary market raises fresh funds for issuers through new securities; the secondary market gives investors liquidity by enabling them to trade existing securities.

Quick Tip to Solve: Ask who receives the money: the issuing company in a fresh issue, or the selling investor in a secondary-market trade.

25. 'GW Textiles' was facing rising competition, inefficiencies on the shop floor and declining revenues. To address these problems, Leena was appointed as the new Factory Manager. In the first few weeks, Leena walked around the factory and watched how work was actually being done. She noticed that some workers were sincere and focused, while others showed little interest and avoided responsibility.

To overcome this problem Leena began spending time on the shop floor every week, interacting closely with the workers and was able to make them act in the desired manner to achieve organisational goals. Her approach helped create a positive work environment where employees felt encouraged to perform better, leading to improved efficiency on the shop floor and improved revenues.

(i) Identify the element of directing highlighted in the above case.

(ii) State any three features of the element identified in (i) above. [4 marks]

Solution:

Concept:

- Directing: motivation is the process of stimulating people to action to accomplish desired goals.
- Motivation concerns employees' needs, drives and willingness to work; it helps turn their potential into performance.

Step 1: (i) Identify the element of directing The element is **motivation**. The decisive words are that Leena "was able to make them act in the desired manner to achieve organisational goals". Employees also "felt encouraged to perform better". These expressions show the stimulation of willingness to work towards the organisation's objectives.

Step 2: (ii) State three features of motivation

- **Motivation is an internal feeling:** The urge to act arises within an individual. Needs, desires, aspirations and feelings influence human behaviour. A manager stimulates these inner drives so

that employees willingly put effort into their work.

- **Motivation produces goal-directed behaviour:** Motivation induces people to behave in a manner that helps them attain their goals. For example, the desire for promotion may encourage an employee to improve performance. In this case, workers are encouraged to act towards organisational goals.
- **Motivation can be either positive or negative:** Positive motivation offers rewards such as recognition, appreciation or higher pay to encourage desired behaviour. Negative motivation uses the fear of punishment, such as a warning or demotion, to influence behaviour. These are alternative ways of stimulating action; the case highlights encouragement.

Step 3: Conclusion (i) Motivation. (ii) It is an internal feeling, produces goal-directed behaviour, and may be positive or negative.

Quick Tip to Solve: Identify motivation from the words about stimulating workers to act towards goals; merely spending time on the shop floor does not decide the element.

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26. Rahul, Priya, Amit and Sneha were friends. They decided to start a business jointly. With rising focus on hydration, fitness and a healthy lifestyle, they saw a steady market for water bottles. Customers often own multiple bottles for different uses. Bottles wear out or go out of style over time, creating repeat sales opportunities. Excited by this idea, they all sat together to brainstorm and decide what kind of water bottle they should make.

Rahul believed that to maximise profits, production should be done on a large scale making goods available and affordable to consumers.

Amit, on the other hand, was of the opinion that the bottles should be of a very good quality with features like time markers, filters or infusers, etc.

Priya agreed with Amit, but felt that they should first identify the needs of the present and prospective buyers, so that they can satisfy them in an effective way. She suggested offering personalised designs, sports bottles, insulated bottles, etc., depending on the customers' needs.

Sneha believed that the business orientation should not be short-sighted to serve only the consumers' needs. It should also consider larger issues of long-term social welfare. So, she suggested reusable water bottles made from eco-friendly sustainable materials.

Identify and state the marketing management philosophies discussed by Rahul, Priya, Amit and Sneha. [4 marks]

Solution:

Concept:

- Marketing Management: marketing management philosophies specify the orientation a business adopts in carrying out its marketing activities.
- The production, product, marketing and societal marketing concepts respectively emphasise availability and affordability, product excellence, customer satisfaction, and customer satisfaction with long-term social welfare.

Step 1: Rahul and Priya

- **Rahul—Production concept:** Rahul recommends production "on a large scale making goods available and affordable to consumers". This concept assumes that consumers favour products that are widely available and inexpensive. Management therefore concentrates on achieving high production efficiency and wide distribution so that costs fall and products remain affordable. Profit is sought through a larger volume of production and sales.
- **Priya—Marketing concept:** Priya says they should "first identify the needs of the present and prospective buyers" and satisfy them effectively. This philosophy holds that the key to achieving organisational goals is identifying the needs and wants of target customers and satisfying them more effectively and efficiently than competitors. Customer satisfaction is the means to profit. Her suggestion to offer different bottles according to customers' needs reflects this customer orientation.

Step 2: Amit and Sneha

- **Amit—Product concept:** Amit stresses "very good quality with features like time markers, filters or infusers". This concept assumes that consumers favour products offering superior quality, performance and features. The firm's focus is therefore on product improvement and innovation, rather than treating low cost or wide availability alone as sufficient.
- **Sneha—Societal marketing concept:** Sneha wants the firm to consider "larger issues of long-term social welfare" and proposes eco-friendly reusable bottles. This philosophy requires the business to identify and satisfy target customers' needs more effectively and efficiently than competitors while preserving or enhancing consumers' and society's long-term well-being. It balances company profits, consumer satisfaction and social welfare.

Step 3: Conclusion Rahul follows the production concept; Priya, the marketing concept; Amit, the product concept; and Sneha, the societal marketing concept.

Quick Tip to Solve: Match each speaker's main emphasis: affordability to production, features to product, buyers' needs to marketing, and social welfare to societal marketing.

27(a). State any four psychological barriers to communication. [4 marks]

Solution:

Concept:

- Directing: psychological barriers to communication arise from the state of mind of the sender or receiver and obstruct correct understanding of a message.
- Communication becomes effective when the receiver understands the message in the sense intended by the sender; mental attitudes and emotions can interrupt this understanding.

Step 1: Barriers arising while receiving a message

- **Premature evaluation:** The receiver judges the meaning of a message before the sender has completed it. Such a judgement may be based on preconceived notions or prejudices. Consequently, the receiver may reject or misinterpret the message without fully understanding the facts communicated.
- **Lack of attention:** When the receiver's mind is preoccupied with other matters, the receiver does not listen attentively to the message. This lack of attention becomes a barrier because important

information may be missed or misunderstood even though the sender has communicated it.

Step 2: Barriers affecting retention and acceptance

- **Loss by transmission and poor retention:** When communication passes through several successive levels, some information may be lost or distorted at each level. People also cannot retain all the information they receive for a long time, particularly when they are inattentive or uninterested, so the original message may not be accurately recalled.
- **Distrust:** A lack of mutual trust between the sender and receiver acts as a communication barrier. If the parties do not believe each other, they may fail to understand a message in its original sense or may attach a different meaning to it.

Step 3: Conclusion The four psychological barriers are premature evaluation, lack of attention, loss by transmission and poor retention, and distrust.

Quick Tip to Solve: Recall the receiver's sequence: listen fully, pay attention, retain the message and trust the sender; failures correspond to the four barriers.

OR

27(b). State any four points of importance of staffing function of management. [4 marks]

Solution:

Concept:

- Staffing: the managerial function of filling and keeping filled the positions in the organisation structure. It includes finding suitable people and developing them for organisational roles.
- The importance of staffing lies in securing competent personnel, matching people to jobs, developing future managers and making effective use of human resources.

Step 1: Securing suitable people and improving performance

- **Obtaining competent personnel:** Staffing helps in discovering and obtaining competent personnel for different jobs. Recruitment attracts suitable candidates, and selection identifies those who possess the qualifications, abilities and skills required for the available positions. This builds the human resource base needed to achieve organisational objectives.
- **Ensuring higher performance:** By putting the right person on the right job, staffing improves performance. A proper match between the requirements of a job and an employee's abilities enables the employee to perform assigned duties effectively and contributes to the performance of the organisation as a whole.

Step 2: Supporting continuity and efficient use of resources

- **Continuous survival and growth:** Staffing ensures the continuous survival and growth of the enterprise through succession planning for managers. It identifies and develops people who can take up managerial responsibilities in the future, so that suitable replacements are available when positions become vacant.
- **Optimum utilisation of human resources:** Staffing helps an organisation use its human resources efficiently. It avoids overmanning, which causes unnecessary costs, and undermanning, which can

prevent work from being completed effectively. Proper placement also prevents the wastage of employees' abilities and skills.

Step 3: Conclusion Staffing obtains competent personnel, ensures higher performance, supports continuous survival and growth, and enables optimum utilisation of human resources.

Quick Tip to Solve: For four distinct points, recall competent people, the right job, future managerial replacements and optimum staffing levels.

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28. 'Staple Foods Ltd.', a packaged food company is planning to expand its operations. To meet growing manpower needs, it adopts different external sources of recruitment for different levels of employees by balancing cost, time and quality in talent acquisition across organisational levels.

For positions requiring high trust and confidentiality, the company prefers applicants introduced by existing senior employees. For specialised technical and professional roles like Marketing Head, Operations Manager, etc., it contacts private agencies and professional bodies. These agencies are able to access a wider talent pool as they compile bio-data of a large number of candidates and recommend suitable names to their clients. For casual vacancies of unskilled or semi-skilled jobs, they post job vacancies on the company's notice board to attract local candidates. Job seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot. 'Staple Foods Ltd.' also maintains a record of unsolicited job applications and contacts suitable candidates from this pool whenever vacancies arise.

State the external sources of recruitment used by 'Staple Foods Ltd.' for recruitment of people at various organisational levels. [4 marks]

Solution:

Concept:

- Staffing: external sources of recruitment attract prospective employees from outside the organisation.
- The source is identified by how applicants are approached: employee recommendations, specialised agencies, a notice at the premises, or a stored pool of unsolicited applications.

Step 1: Recommendations of employees and specialised agencies

- **Recommendations of employees:** The case says that applicants are "introduced by existing senior employees" for positions requiring trust and confidentiality. Existing employees recommend persons known to them. Their knowledge of the candidates' background supports the company's search for reliable people. This remains an external source because the recommended applicants come from outside the organisation.
- **Placement agencies and management consultants:** The company "contacts private agencies and professional bodies" for specialised technical and professional roles. These agencies maintain bio-data of many candidates and recommend suitable names to clients. Placement agencies and management consultants help organisations find appropriate professional and managerial personnel from a wider pool.

Step 2: Recruitment at the premises and from stored applications

- **Direct recruitment:** For casual unskilled or semi-skilled vacancies, the company posts vacancies on its "notice board"; candidates assemble at the premises and "selection is done on the spot". Under direct recruitment, a notice specifying available jobs is placed at the organisation's premises and applicants appear on the specified date. It is especially suitable for casual vacancies of this kind.
- **Casual callers:** The company "maintains a record of unsolicited job applications" and contacts suitable candidates when vacancies arise. Such applications are received even without a specific recruitment advertisement. Maintaining this database allows the organisation to draw on available candidates later and can reduce the cost of recruitment.

Step 3: Conclusion The four external sources are recommendations of employees; placement agencies and management consultants; direct recruitment; and casual callers.

Quick Tip to Solve: Match each clue separately: employee introduction means recommendations, a premises notice means direct recruitment, and stored unsolicited applications mean casual callers.

29(a). Explain the following points of importance of controlling function of management :

(i) Accomplish organisational goals

(ii) Making efficient use of resources [4 marks]

Solution:

Concept:

- Controlling: importance of the management function that compares actual performance with standards, identifies deviations and initiates corrective action.
- Standards provide the basis for checking whether organisational activities and resource use conform to plans.

Step 1: (i) Accomplishing organisational goals **Measuring progress towards goals:** Controlling measures the progress of organisational activities towards predetermined goals. Managers compare actual performance with the standards established in plans, so they can determine whether work is proceeding in the required direction. Merely setting a target does not ensure its achievement; performance must be checked against that target.

Identifying deviations and taking corrective action: The comparison brings deviations to light. Managers analyse their causes and take suitable corrective action so that performance returns to the planned course. Thus, controlling guides the organisation and keeps it on the right track towards its goals. For example, if actual output falls below the planned level, identifying and removing the cause helps the organisation achieve its production objective.

Step 2: (ii) Making efficient use of resources **Applying predetermined standards:** Controlling requires each activity to be performed according to predetermined standards. Standards may cover the quantity or cost of inputs and the level of output expected. Checking actual resource use against these standards helps managers detect inefficient use of material, labour, money and other resources.

Reducing wastage and spoilage: When excessive consumption, wastage or spoilage is detected, managers can investigate the cause and take corrective action. This reduces avoidable losses and ensures that resources are used in the most effective and efficient manner. For example, comparing

actual material consumption with its standard can reveal abnormal wastage and enable managers to correct the process. Controlling therefore supports better results from the resources available to the organisation.

Step 3: Conclusion Controlling helps accomplish organisational goals by monitoring progress and correcting deviations. It promotes efficient resource use by enforcing standards and reducing wastage and spoilage.

Quick Tip to Solve: For each importance, show the link from standards to comparison and corrective action, then state the benefit: goal achievement or reduced resource wastage.

OR

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

(i) Status

(ii) Organisational climate [4 marks]

Solution:

Concept:

- Directing: non-financial incentives satisfy psychological, social and emotional needs, such as recognition, esteem, responsibility and belongingness.
- Status and organisational climate motivate employees through their position and work environment, respectively, rather than through a direct monetary reward.

Step 1: (i) Status **Meaning:** Status means an employee's ranking or position in the organisation. The authority, responsibility, rewards, recognition, prestige and privileges associated with a job indicate its status. For example, a position carrying greater decision-making authority and recognition signifies a higher status in the organisation.

How it motivates: A position that is respected by others satisfies the employee's psychological, social and esteem needs. Recognition of the employee's contribution creates a feeling of importance and encourages the employee to perform well and maintain that standing. Thus, an appropriate status acts as an incentive even when no immediate cash payment is involved.

Step 2: (ii) Organisational climate **Meaning:** Organisational climate refers to the characteristics that describe an organisation and distinguish it from other organisations. These characteristics shape employees' perceptions of the organisation and influence their behaviour. Examples include the degree of individual autonomy, reward orientation, consideration for employees and willingness to take reasonable risks.

How it motivates: A supportive climate gives employees opportunities to exercise initiative, accept responsibility and develop their potential. When employees experience consideration, trust and recognition for good performance, they feel valued and are encouraged to contribute to organisational goals. A favourable organisational climate therefore works as a non-financial incentive.

Step 3: Conclusion Status motivates by satisfying employees' needs for prestige and esteem; organisational climate motivates through a supportive environment that encourages initiative and effective

performance.

Quick Tip to Solve: Link status to an employee's position and prestige, and climate to the organisation's working environment and employee autonomy.

30. 'Suruchi Textiles Ltd.' is a reputed textile manufacturing company with stable earnings. It has been paying regular dividends for the last seven years, which has helped it to build a loyal investor base. It has a large number of its shareholders who depend on regular income from their investment and therefore expect at least a minimum dividend every year. To meet these expectations and maintain shareholders confidence, the company has followed a high dividend policy.

During the current year, the company planned further expansion, which required additional funds. However, since a major portion of its earnings had been distributed as dividends in earlier years, the company had retained limited funds. But, since 'Suruchi Textiles Ltd.' had a strong reputation in the capital market, it was able to raise the required capital from the capital market to finance its expansion plans.

Identify and explain four factors affecting the dividend decision discussed in the above case. [4 marks]

Solution:

Concept:

- Financial Management: the dividend decision determines how much profit is distributed to shareholders and how much is retained in the business.
- Relevant factors here are stability of earnings, stability of dividends, shareholders' preference and access to the capital market.

Step 1: Identify the earnings and dividend-policy factors **1. Stability of earnings:** The company is described as having 'stable earnings'. A company with stable earnings is in a better position to pay a higher dividend than a company whose earnings fluctuate. Predictable earnings make it easier to maintain dividend payments without depending on an unusually profitable year. Suruchi Textiles' stable earnings support its high dividend policy.

2. Stability of dividends: The company 'has been paying regular dividends for the last seven years'. Companies generally try to maintain stability in dividend per share and avoid frequent changes. An increase is normally made when management is confident that the higher dividend can be sustained. The company's established record of regular payments reflects this concern for dividend stability and helps maintain investor confidence.

Step 2: Identify the shareholder and financing factors **3. Shareholders' preference:** The case states that shareholders 'depend on regular income from their investment' and 'expect at least a minimum dividend every year'. Management should consider such preferences while deciding dividends. Where shareholders prefer current dividend income, the company may distribute a greater portion of earnings. Suruchi Textiles follows a high dividend policy to meet these expectations.

4. Access to capital market: Suruchi Textiles has 'a strong reputation in the capital market' and 'was able to raise the required capital from the capital market'. A well-reputed company with easy access to external funds can afford to pay higher dividends because it can finance investment needs through

the market. Thus, even though earlier high dividends left limited retained earnings, the company could obtain funds for expansion externally.

Step 3: Conclusion The four factors are stability of earnings, stability of dividends, shareholders' preference and access to the capital market. Together, they explain the company's regular high dividends and its ability to finance expansion despite limited retained funds.

Quick Tip to Solve: Match each case clue separately: stable profits, regular dividends, investors' income needs, and the ability to raise market funds.

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31. 'Global Tech Ltd.' was a multinational company that manufactured modern electronics devices and employed nearly 10,000 people from across the world. The company had a well-defined organisational structure with separate departments for finance, marketing and production. Every department had its own objectives, policies and style of working. As each department performed its activities in isolation from others, conflicts arose within the organisation.

Further, due to complex technology involved in producing modern electronic devices, 'Global Tech Ltd.' relied heavily on specialists. The specialists were confident of their professional knowledge and often did not consider suggestions from others in matters pertaining to their area of specialisation. This resulted in conflict among different specialists and others in the organisation. As the company continued to grow, more employees from different backgrounds and work habits joined the organisation. The increasing size of workforce, along with departmental differences and dependence on specialists, made it difficult to ensure that everyone worked towards the same organisational goals. Therefore it became necessary for the management to harmonise individual goals with organisational goals and integrate the efforts of departments and specialists to achieve common objectives.

(i) Identify and state the concept which would help 'Global Tech Ltd.' in bringing together the efforts of employees and specialists to achieve common goals of the organisation.

(ii) Quoting lines from the given case, state any three points of importance of the concept identified in (i) above. [6 marks]

Solution:

Concept:

- Nature and Significance of Management: coordination integrates the efforts of individuals, departments and specialists towards common organisational objectives.
- Coordination becomes especially important because of growth in size, functional differentiation and specialisation.

Step 1: (i) Identify and state the concept The concept is **coordination**. It is the process by which a manager synchronises the activities of different departments and integrates individual efforts to provide unity of action in pursuit of common goals. In Global Tech Ltd., it would harmonise the activities of employees, functional departments and specialists so that their separate contributions support the objectives of the organisation. The case describes this need as "harmonise individual goals with organisational goals and integrate the efforts of departments and specialists to achieve common objectives."

Step 2: (ii) Growth in size **Growth in size:** "As the company continued to grow, more employees from different backgrounds and work habits joined the organisation." As an organisation grows, the number of employees increases. Employees have different interests, backgrounds and ways of working, and may pursue personal goals at the expense of organisational goals. Coordination harmonises their individual goals with organisational goals and unifies their efforts so that the larger workforce works towards common objectives.

Step 3: (ii) Functional differentiation **Functional differentiation:** "Every department had its own objectives, policies and style of working. As each department performed its activities in isolation from others, conflicts arose within the organisation." Departments may give priority to their own objectives and lose sight of organisational objectives. Their activities are interdependent, so coordination links finance, marketing and production, reconciles conflicting departmental interests and ensures that all departments contribute to the overall goals.

Step 4: (ii) Specialisation **Specialisation:** "The specialists were confident of their professional knowledge and often did not consider suggestions from others in matters pertaining to their area of specialisation." Specialists may believe that only they are qualified to judge matters in their fields, leading to conflict with other specialists and organisational members. Coordination reconciles these differences in approach and interest and integrates specialised contributions into a unified effort.

Step 5: Conclusion Coordination would provide unity of action in Global Tech Ltd. Its importance is evident from the company's growth in size, functional differentiation and dependence on specialists.

Quick Tip to Solve: Link a growing workforce to growth in size, departmental conflicts to functional differentiation, and expert disagreements to specialisation; quote a separate case line for each.

32. 'Kia Tyres' is a company manufacturing tyres for cars, two-wheelers, trucks and buses. It has a well-defined organisational structure designed by the management to facilitate smooth functioning of the organisation. It specifies the relationships among various job positions and the nature of their inter-relationship. It is easier to fix responsibility, since mutual relationships are clearly defined. There is no ambiguity in the role that each member has to play, as duties are specified. This also helps in avoiding duplication of work. As a result, 'Kia Tyres' is able to effectively accomplish its goals.

However, during lunch breaks and after office hours, employees from different departments of 'Kia Tyres' meet regularly. This helps to fulfil the social needs of employees and allows them to interact with like-minded people. This enhances their job satisfaction by giving them a sense of belongingness in the organisation.

(i) Identify the types of organisation discussed in the above and give their meaning.

(ii) State two advantages of each of the types of organisation identified in (i) above, not discussed in the given case. [6 marks]

Solution:

Concept:

- Organising: formal organisation is the deliberately designed structure of authority and responsibility; informal organisation is the network of social relationships that arises spontaneously among employees.
- Advantages already explained in a case must be excluded when the question expressly asks for other advantages.

Step 1: (i) Formal organisation: identification and meaning **Formal organisation:** The first paragraph describes formal organisation, indicated by "a well-defined organisational structure designed by the management to facilitate smooth functioning of the organisation." Formal organisation is the structure of authority relationships deliberately designed by management to accomplish organisational objectives. It specifies the relationships among various job positions and the nature of their interrelationship, including who reports to whom. Thus, the officially prescribed roles and relationships at Kia Tyres form its formal organisation.

Step 2: (i) Informal organisation: identification and meaning **Informal organisation:** The second paragraph describes informal organisation: "during lunch breaks and after office hours, employees from different departments of 'Kia Tyres' meet regularly." Informal organisation is the network of social relationships that arises spontaneously from interaction among people at work. It develops through personal contact and shared interests rather than through a deliberate managerial design. These relationships can cut across the departments and positions specified in the formal structure.

Step 3: (ii) Two other advantages of formal organisation **Unity of command:** Formal organisation establishes a clear chain of command. Each employee knows the superior to whom he or she is accountable, thereby maintaining unity of command and orderly authority relationships.

Stability of the organisation: Formal organisation provides stability because behaviour is guided by established rules and procedures. Work relationships are defined around positions, which gives continuity and predictability to organisational functioning.

Step 4: (ii) Two other advantages of informal organisation **Faster communication:** Informal communication does not have to follow the prescribed lines of authority. It therefore permits quicker transmission of information and enables employees to obtain faster feedback through their personal contacts.

Support for organisational objectives: Informal organisation can compensate for inadequacies in formal organisation. For example, managers can use knowledge of informal relationships to understand employees' reactions and secure their cooperation. In this way, informal groups can support the achievement of organisational objectives.

Step 5: Conclusion The two types are formal and informal organisation. Other advantages are unity of command and organisational stability for formal organisation, and faster communication and support for organisational objectives for informal organisation.

Quick Tip to Solve: Exclude the benefits already in the case: responsibility, role clarity, avoiding duplication and goal accomplishment for formal organisation, and social satisfaction and belongingness for informal organisation.

33(a). Explain the following principles of management :

(i) Discipline

(ii) Unity of direction

(iii) Equity [6 marks]

Solution:

Concept:

- Principles of Management: Henri Fayol's principles provide general guidelines for managerial behaviour and organisational functioning.
- Discipline promotes obedience and commitment, unity of direction coordinates activities sharing an objective, and equity ensures fair treatment of employees.

Step 1: (i) Discipline

- **Meaning:** Discipline means obedience to organisational rules and to the employment agreement necessary for the working of the organisation. It involves respect for rules and fulfilment of commitments by both workers and management.
- **Requirements and application:** Good supervisors at all levels, clear and fair agreements, and judicious application of penalties are needed. For example, when workers agree to work extra hours in return for additional benefits, workers should honour their undertaking and management should provide the promised benefits. Discipline is therefore a responsibility of both sides.

Step 2: (ii) Unity of direction

- **Meaning:** All units and activities of an organisation directed towards the same objective should move towards it through coordinated and focused efforts. Each group of activities having the same objective must have one head and one plan.
- **Purpose and application:** This prevents overlapping activities and duplication of effort and ensures unity of action. For example, all activities connected with producing and marketing a particular product should follow a common plan under one head. A separate product group may have its own head and plan because it pursues a different objective.

Step 3: (iii) Equity

- **Meaning:** Managers should show kindness and justice in dealing with employees so that employees remain loyal and devoted. Employees should receive fair treatment without discrimination on grounds such as sex, religion, language, caste or nationality.
- **Purpose and application:** Fair treatment and equal opportunities encourage employees to contribute their best. Equity combines kindness with justice; it does not rule out necessary firmness or disciplinary action against an employee who neglects duties. Such action must be fair and based on conduct, rather than personal prejudice.

Step 4: Conclusion Discipline secures observance of commitments, unity of direction aligns activities towards a common objective, and equity builds employee loyalty through fair and just treatment.

Quick Tip to Solve: Remember the three anchors: rules and commitments; one head and one plan; kindness with justice.

OR

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

(i) Providing managers with useful insights into reality

(ii) Scientific decisions

(iii) Meeting changing environment requirements [6 marks]

Solution:

Concept:

- Principles of Management: The significance of management principles lies in their contribution to managerial understanding, rational decisions and adaptation to changing conditions.
- Management principles are general guidelines, developed through observation and experience. Managers apply them with judgement according to the situation.

Step 1: (i) Providing managers with useful insights into reality

- **Knowledge and understanding:** Principles provide managers with useful insights into real work situations. They improve their knowledge, ability and understanding of managerial situations by making available the experience and wisdom accumulated by earlier managers.
- **Guidance in action:** Managers can learn from these principles instead of relying only on trial and error. This helps them identify problems and select suitable action, improving managerial efficiency. For example, knowing the principle of unity of command helps a manager recognise that conflicting instructions from two superiors can confuse an employee and weaken accountability.

Step 2: (ii) Scientific decisions

- **Rational basis:** Management principles help managers make thoughtful and balanced decisions based on logic and an objective assessment of the situation. Decisions should rest on facts and reasons, rather than on personal bias, blind faith or guesswork.
- **Practical relevance:** Principles supply tested guidelines that help managers evaluate alternatives and explain their decisions. For example, the principle of division of work suggests considering specialisation when allocating tasks. The manager should examine employee capabilities and work requirements before allocating tasks.

Step 3: (iii) Meeting changing environment requirements

- **Flexible guidelines:** Although principles are general guidelines, they are flexible and can be modified in application to meet the requirements of a changing business environment. They are not rigid prescriptions to be applied identically in every situation.
- **Adaptation to new conditions:** Managers can adjust their use of principles when technology, markets or organisational needs change. For example, division of work traditionally encouraged specialisation, but modern business may outsource certain activities to specialist organisations. This adapts specialisation to changed conditions and lets management concentrate on core activities.

Step 4: Conclusion Management principles help managers understand actual situations, take reasoned and objective decisions, and adapt managerial practices to a changing business environment.

Quick Tip to Solve: Link each significance to its benefit: experience improves understanding, logic improves decisions, and flexibility enables adaptation.

34(a). Explain the following limitations of planning :

(i) Planning leads to rigidity

(ii) Planning may not work in a dynamic environment

(iii) Planning involves huge costs [6 marks]

Solution:

Concept:

- Planning: limitations arising from fixed courses of action, changes in the business environment and the resources required to prepare plans.
- Planning decides in advance what is to be done and how it is to be done. Its usefulness depends on realistic assumptions, flexibility and benefits that justify its cost.

Step 1: (i) Planning leads to rigidity **Planning leads to rigidity:** A well-defined plan lays down the specific goals to be achieved within a specified time and the course of action to achieve them. Managers and employees may therefore have little freedom to deviate from that course. When circumstances change, strict adherence to the original plan can prevent necessary adjustments. Following a predetermined procedure mechanically can thus reduce initiative and flexibility, even when a different course would better suit the changed situation.

Step 2: (ii) Planning may not work in a dynamic environment **Planning may not work in a dynamic environment:** Business operates in a continuously changing environment. Economic policies, technology, competition and social conditions may change, and the organisation cannot control all such changes. Plans are prepared on the basis of assumptions about future conditions. If those conditions change unexpectedly, the assumptions may become incorrect and the plan may lose its relevance. Consequently, a plan prepared for one situation may not work in another, and frequent revision may be necessary.

Step 3: (iii) Planning involves huge costs **Planning involves huge costs:** Preparing plans requires expenditure on collecting and analysing information, forecasting, evaluating alternatives and obtaining expert advice. Managers also spend considerable time and effort in discussions, investigations and calculations. These costs arise before implementation, and they may be substantial, particularly for detailed plans. The expected benefits of a plan should therefore justify the expenditure incurred in preparing it; otherwise, planning can become an expensive exercise without proportionate benefit.

Step 4: Conclusion The three limitations are rigidity in action, reduced relevance when environmental assumptions change, and the substantial expenditure of money, time and effort involved in preparing plans.

Quick Tip to Solve: Explain each limitation through its cause and its consequence: fixed action reduces flexibility, changed assumptions weaken plans, and preparation consumes resources.

OR

34(b). Explain the following points of importance of planning :

(i) Planning facilitates decision-making

(ii) Planning establishes standards for controlling

(iii) Planning promotes innovative ideas [6 marks]

Solution:

Concept:

- Planning: importance of deciding in advance what is to be done and how it is to be done to achieve organisational objectives.
- Planning supports the choice of a suitable course of action, provides the basis for control and encourages new ideas at the stage of setting future action.

Step 1: (i) Planning facilitates decision-making **Planning facilitates decision-making:** Planning requires managers to identify different ways of achieving an objective and compare their likely outcomes. Each alternative is evaluated in the light of the organisation's objectives, resources and future conditions. The manager then selects the most suitable and viable course of action. Thus, planning helps managers look ahead, consider the consequences of their choices and take rational decisions instead of choosing a course without examining alternatives. The selected plan guides subsequent decisions and action.

Step 2: (ii) Planning establishes standards for controlling **Planning establishes standards for controlling:** Planning specifies the objectives, targets and expected results that an organisation seeks to achieve. These become the standards against which actual performance is measured in the controlling process. Comparison with the planned standards reveals deviations, enabling managers to investigate their causes and take corrective action. Without clearly stated plans, managers would lack a reliable basis for judging whether performance is satisfactory. Planning therefore provides the foundation for effective control and helps ensure that work leads towards the desired results.

Step 3: (iii) Planning promotes innovative ideas **Planning promotes innovative ideas:** Since planning is the first function of management, it provides an opportunity to develop new ideas before action begins. Managers can examine fresh approaches to objectives, methods and activities rather than simply repeat existing practices. Such ideas can be assessed and converted into concrete plans for implementation. This makes planning an intellectually demanding activity requiring imagination and sound judgement. By encouraging managers to think of better ways to achieve objectives, planning guides future action and supports the growth and prosperity of the business.

Step 4: Conclusion Planning facilitates rational choice among alternatives, sets the standards needed for controlling, and provides a framework for developing and implementing innovative ideas.

Quick Tip to Solve: Link decision-making to comparing alternatives, controlling to comparing actual results with targets, and innovation to turning new ideas into concrete plans.