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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

(A) Providing Scope for Speculation

(B) Spreading of Equity Cult

(C) Safety of Transactions

(D) Contributes to Economic Growth

Correct Answer: (B) Spreading of Equity Cult

Solution:

Concept:

- Financial Markets: spreading of equity cult is a function of a stock exchange that encourages wider ownership of company shares.
- Investor education and better trading practices build public confidence and encourage participation in equity investment.

Step 1: Identify the clue in the case The expressions 'ensuring wider share ownership' and 'educating the public about investments' directly describe spreading of equity cult. The exchange promotes public participation in the equity market by making investment better understood and encouraging confidence in trading practices.

Step 2: Eliminate the other functions Option (A) concerns regulated speculative activity to provide liquidity and continuity of trading. Option (C) concerns transactions within a regulated legal framework. Option (D) concerns allocating savings to productive enterprises through trading and investment. These functions do not specifically name the promotion of wider share ownership described here.

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

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

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

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

(A) Top level

(B) Middle level

(C) Operational level

(D) Both Middle level and Operational level

Correct Answer: (B) Middle level

Solution:

Concept:

- Nature and Significance of Management: middle management consists of departmental and divisional heads who connect top management with operational management.
- Middle managers interpret policies, implement departmental plans and ensure that their departments have the necessary personnel.

Step 1: Match the duties to the level Neha is 'implementing organisation's marketing plans' and 'ensuring that her department has necessary personnel'. These are functions of middle management: translating the policies of top management into departmental action and securing the staff required for that action.

Step 2: Check the remaining options Option (A) is incorrect because top managers formulate overall objectives, strategies and policies for the organisation. Option (C) is incorrect because operational managers supervise the workforce and day-to-day execution of assigned tasks. Option (D) incorrectly combines two levels even though the stated departmental responsibilities identify middle management specifically.

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

Quick Tip to Solve: Identify the level from the duties: implementing policies and staffing a department point to middle management.

3. 'The process of designing and maintaining an environment in which individuals working together in groups, efficiently accomplish selected aims' is known as : [1 mark]

(A) Management

(B) Planning

(C) Organising

(D) Co-ordination

Correct Answer: (A) Management

Solution:

Concept:

- Nature and Significance of Management: management is the process of working with and through people to achieve organisational objectives effectively and efficiently.
- Planning and organising are particular functions within the wider process of management; coordination integrates efforts.

Step 1: Recognise the definition The words 'designing and maintaining an environment' in which people work together to 'efficiently accomplish selected aims' describe management. The definition encompasses the overall process of creating conditions for collective achievement of organisational objectives.

Step 2: Distinguish the narrower concepts Option (B), planning, determines objectives and courses of action in advance. Option (C), organising, establishes work relationships and arranges activities and resources. Option (D), coordination, synchronises different efforts and is the essence of management. Each is related to management, but none alone describes the complete process in the quotation.

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

Quick Tip to Solve: Look for the whole process of enabling people to achieve aims; individual managerial functions cover only part of it.

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

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

[1 mark]

(A) Cash flow position

(B) Flexibility

(C) Cost of debt

(D) Stock-market conditions

Correct Answer: (D) Stock-market conditions

Solution:

Concept:

- Financial Management: stock-market conditions influence the choice between debt and equity in a financing decision.
- During a bullish phase, investor confidence and share prices tend to be favourable, making it easier to raise equity capital.

Step 1: Identify the stated reason for equity The decisive words are 'raise funds through equity as the market was bullish'. The manager has used favourable stock-market conditions to choose equity finance for the electric-vehicle expansion. A bullish market improves the prospects of obtaining subscriptions for a share issue.

Step 2: Reject the other factors Option (A), cash flow position, concerns the ability to meet fixed payment obligations, particularly those associated with debt. Option (B), flexibility, concerns preserving the ability to raise further finance. Option (C), cost of debt, concerns the interest cost of borrowing. None of these is the reason stated in the case; the express reason is the bullish market.

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

Quick Tip to Solve: When a financing case explicitly mentions a bullish or bearish market, select stock-market conditions.

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

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

(A) Brand name

(B) Brand mark

(C) Trade mark

(D) Both Brand mark and Trade mark

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

Solution:

Concept:

- Marketing Management: a brand mark is the recognisable symbol, design or distinctive feature of a brand that cannot be spoken.
- A trade mark is a brand or part of a brand given legal protection through registration; a brand name is the verbal part.

Step 1: Classify the tiger symbol Customers identify the products 'just by seeing the tiger symbol'. Since it is a visual symbol rather than the spoken name Lima, the tiger is a brand mark. The further fact that Lima has 'legally registered' its symbol gives that same symbol the status of a trade mark.

Step 2: Evaluate all options Option (A) is incorrect: Lima is the brand name, whereas the tiger is its visual symbol. Option (B) describes the symbol correctly but omits its legal protection. Option (C) recognises legal protection but omits the fact that the tiger is also a brand mark. Option (D) captures both characteristics together and is therefore the complete answer.

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

Quick Tip to Solve: Classify a symbol visually first, then check registration: a registered brand mark is also a trade mark.

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

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

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

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

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

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

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

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

Solution:

Concept:

- Financial Markets: the money market deals in short-term funds and instruments; the capital market deals in medium- and long-term funds.
- Money-market instruments are generally safer than capital-market instruments with respect to both return and repayment of principal.

Step 1: Judge Statement I Statement I is false. Capital-market instruments generally carry greater risk than money-market instruments. Equity returns are uncertain and market prices fluctuate, while money-market instruments are generally issued for short periods by financially sound institutions or firms. The statement reverses the textbook comparison of safety.

Step 2: Judge Statement II and the combinations Statement II is true because equity shares and debentures are instruments of the capital market, which provides medium- and long-term finance. Thus option (B) gives the correct combination. Option (A) reverses both truth values; option (C) wrongly treats Statement I as true; option (D) wrongly treats Statement II as false.

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

Quick Tip to Solve: For market comparisons, remember: money market means short term and generally safer; capital market means longer term.

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

(A) Management of the company

(B) Demand and supply of the security

(C) Employees of the company

(D) Only demand for the security

Correct Answer: (A) Management of the company

Solution:

Concept:

- Financial Markets: the primary market is the new-issues market in which companies offer securities to investors for the first time.
- In the textbook comparison, primary-market prices are determined by the management of the company; secondary-market prices reflect demand and supply.

Step 1: Apply the primary-market pricing distinction The question asks about the primary market, where new securities are issued by the company. In the NCERT comparison of primary and secondary markets, management of the company determines the issue price. This matches option (A).

Step 2: Eliminate the alternatives Option (B), demand and supply of the security, describes price determination in the secondary market, where existing securities are traded among investors. Option (C) is incorrect because employees do not determine the issue price merely by being employees. Option (D) is also incorrect: only demand is neither the textbook primary-market answer nor a complete account of market price determination.

Step 3: Conclusion In the primary market, prices of securities are determined by management of the company. Hence, the correct option is (A).

Quick Tip to Solve: Distinguish the issuer setting a new issue price from investors trading existing securities through demand and supply.

8. 'Taylor believed that industrial efficiency depends to a large extent on personnel competencies. He was of the view that the concern for efficiency could be built in right from the process of employee selection. Each person should be scientifically selected. The work assigned should suit her/his capabilities. To increase efficiency, they should be given the required training.' The principle of scientific management discussed above is : [1 mark]

(A) Science, not Rule of Thumb

(B) Harmony, Not Discord

(C) Cooperation, Not Individualism

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

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

Solution:

Concept:

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

Step 1: Identify the evidence in the case The statements 'Each person should be scientifically selected' and 'they should be given the required training' focus on developing the capabilities of each worker. Assigning work that suits a person's capabilities allows the worker to reach greater efficiency and prosperity.

Step 2: Distinguish the other principles Science, not Rule of Thumb replaces traditional work methods with scientific analysis. Harmony, Not Discord emphasises good relations between management and workers. Cooperation, Not Individualism emphasises joint effort rather than competition. These are related principles, but the passage specifically stresses employee selection, suitability and development.

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

Quick Tip to Solve: Link scientific selection plus suitable work plus training to Taylor's employee-development principle.

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

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

(A) Economic Environment

(B) Social Environment

(C) Political Environment

(D) Technological Environment

Correct Answer: (B) Social Environment

Solution:

Concept:

- Business Environment: the social environment includes customs, traditions, values, social trends and society's expectations from business.
- Changing consumer attitudes towards health and environmental protection influence demand for products.

Step 1: Identify the social trend The phrases 'young consumers were becoming health conscious' and 'awareness about environmental issues was increasing' show changes in attitudes, preferences and values in society. These social trends explain the popularity of the plant based meal kits and the interest in sustainable eating.

Step 2: Check the alternatives Economic environment concerns factors such as income, inflation and interest rates, none of which drives this case. Political environment concerns political conditions and attitudes towards business; these are not described. Technological environment concerns scientific and technological developments; the case identifies changing consumer values rather than a new production technology.

Step 3: Conclusion The element highlighted is Social Environment. Hence, the correct option is (B).

Quick Tip to Solve: When demand changes because people value health or sustainability, identify the social environment.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Financial Management: dividend decision determines the portion of earnings distributed to shareholders and the portion retained in the business.
- Growth opportunities encourage retention of earnings to finance investment and tend to reduce the dividend payout.

Step 1: Judge Assertion (A) Assertion (A) is false. Companies with good growth opportunities generally require more funds for expansion. Other factors remaining the same, they retain a larger part of their profits and distribute a smaller part as dividend than companies with fewer growth opportunities.

Step 2: Judge Reason (R) Reason (R) is true. Retained earnings are an internal source of finance. A company can retain more of its earnings to finance the investment required to exploit its growth opportunities.

Step 3: Check the relationship and options The reason explains why the assertion is false: greater retention tends to leave less for dividends. Option (B) wrongly treats the reason as false. Option (C) reverses the truth values, and option (D) wrongly treats the assertion as true. Only option (A) gives the correct combination.

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

Quick Tip to Solve: Growth requires reinvestment: more retained earnings generally means a lower dividend payout.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Controlling: management compares actual performance with standards, analyses deviations and takes corrective action.
- Planning and controlling are interdependent; feedback from controlling becomes a basis for future planning.

Step 1: Judge Assertion (A) Assertion (A) is true. Although controlling is discussed after the other management functions, it must not be treated as a terminal activity. It operates continuously and uses performance feedback to improve subsequent managerial action.

Step 2: Judge Reason (R) Reason (R) is true. The results of controlling reveal whether plans and standards need revision. This feedback brings the management cycle back to planning, where future objectives and courses of action are decided.

Step 3: Check the explanation and alternatives The reason correctly explains the assertion: the cycle returns to planning instead of ending with control. Option (A) wrongly makes the assertion false, option (B) wrongly makes both statements false, and option (C) wrongly makes the reason false. Thus both statements are true and the stated explanatory link holds.

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

Quick Tip to Solve: In planning-controlling questions, use the feedback loop: control findings guide the next plan.

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

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

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

(A) Right to choose/be assured

(B) Right to be heard

(C) Right to consumer education

(D) Right to safety

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

Solution:

Concept:

- Consumer Protection: the right to choose or be assured gives a consumer access to a variety of products at competitive prices.
- A consumer should be able to select a product of satisfactory quality at a fair price without compulsion.

Step 1: Identify the right exercised Ramesh 'visited a few big shops' and compared design, quality and price before choosing a heater that was 'cheaper and had various additional features'. His opportunity to compare alternatives and select the product he preferred reflects the right to choose/be assured.

Step 2: Rule out the other rights The right to be heard involves having consumer complaints and interests considered; no complaint is made here. The right to consumer education concerns acquiring knowledge and skills about consumer protection. The right to safety protects against goods hazardous to life and health. His failure to check the ISI mark and safety label points to neglected safety precautions, rather than making safety the right exercised in the purchase described.

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

Quick Tip to Solve: Focus on the action asked about: comparing products and selecting one identifies the right to choose.

13. 'Since business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources, it becomes difficult to comprehend at once what exactly constitutes a given environment.'

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

(A) Relativity

(B) Uncertainty

(C) Complexity

(D) Dynamic Nature

Correct Answer: (C) Complexity

Solution:

Concept:

- Business Environment: complexity arises because the environment contains numerous interrelated and dynamic forces from different sources.
- The combined effect of these forces can be difficult to understand as a whole.

Step 1: Match the defining words The statement stresses 'numerous interrelated and dynamic conditions or forces' and says it is 'difficult to comprehend at once' the environment. This difficulty in understanding the combined network of influences is the defining feature of complexity.

Step 2: Distinguish the other features Relativity means that the business environment differs across countries or regions. Uncertainty means difficulty predicting future developments. Dynamic nature means that the environment keeps changing. Although the statement mentions dynamic forces, its main point is the difficulty of comprehending many interacting forces together, so complexity is the most appropriate answer.

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

Quick Tip to Solve: Use the central clue: difficulty understanding many interacting forces means complexity.

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

(A) Trading on Equity

(B) Capital Budgeting decision

(C) Financial Management

(D) Financial Planning

Correct Answer: (D) Financial Planning

Solution:

Concept:

- Financial Management: financial planning is the process of estimating a business's fund requirements and specifying the sources of funds.
- It helps ensure that adequate funds are available when required while avoiding unnecessary surplus

financing.

Step 1: Identify the process described The question combines two activities: estimating how much finance the business will need and specifying where that finance will come from. Together these constitute financial planning, which prepares the business to meet its financial requirements.

Step 2: Compare the remaining options Trading on Equity means using fixed-cost sources of finance to increase the return to equity shareholders. Capital Budgeting decision concerns investment in long-term assets and projects. Financial Management is the broader activity of managing financial resources, including investment, financing and dividend decisions. The precise process defined in the question is financial planning.

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

Quick Tip to Solve: Identify the paired tasks: estimate fund requirements and specify sources equals financial planning.

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

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

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

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

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

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

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

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

Solution:

Concept:

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

Step 1: Assess Statement-I Workforce analysis reveals the number and type of human resources already available in the organisation. The assessment of people necessary for performing jobs and accomplishing objectives belongs to workload analysis. Statement-I therefore interchanges the two concepts and is false.

Step 2: Assess Statement-II and the options Workload analysis determines the number and types of employees required, rather than those available. Statement-II is also false. Option (A) wrongly treats Statement-I as true; option (B) wrongly treats Statement-II as true; option (C) wrongly treats both as true. Only option (D) agrees with both assessments.

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

Quick Tip to Solve: Link workload with the work requiring people, and workforce with the people already available.

16. Identify the incorrect statement with respect to 'Motion Study', as a technique of scientific management : [1 mark]

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

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

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

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

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

Solution:

Concept:

- Principles of Management: motion study is a technique of scientific management developed by F.W. Taylor.
- Motion study examines movements in a job and eliminates unnecessary movements; time study determines the standard time for a job.

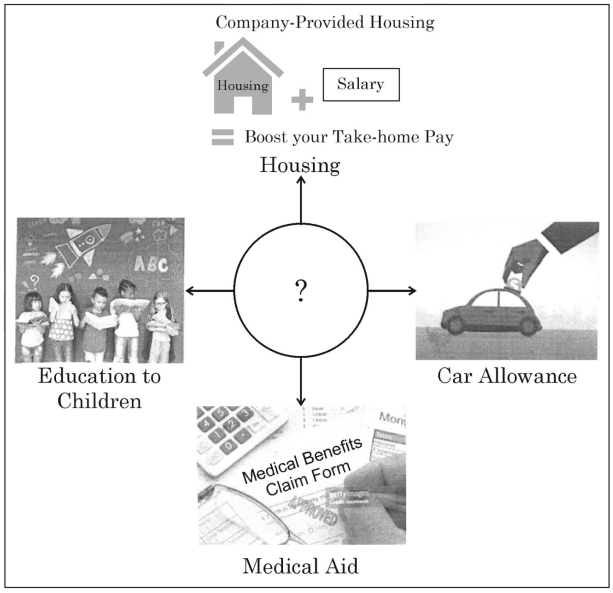
Step 1: Identify what motion study does Motion study examines movements such as lifting, putting objects, sitting and changing positions while doing a job. Eliminating unnecessary movements reduces the time and effort needed. Thus statements (A) and (B) correctly describe motion study. It also helps in designing suitable tools and equipment and educating workers in their use, so (C) is correct.

Step 2: Identify the misplaced purpose Determining how many workers to employ, framing suitable incentive schemes and determining labour costs are purposes of time study. Time study fixes the standard time needed to perform a well-defined job. Statement (D) therefore attributes the purposes of time study to motion study and is the incorrect statement requested.

Step 3: Conclusion The incorrect statement is (D): these are purposes of time study, rather than motion study.

Quick Tip to Solve: Underline "incorrect": movements indicate motion study, while standard time supports staffing and labour-cost decisions.

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



(A) Pay and allowances

(B) Retirement benefits

(C) Productivity linked wage incentives

(D) Perquisites

Correct Answer: (D) Perquisites

Solution:

Concept:

- Directing: financial incentives include perquisites, which are additional benefits provided over and above salary.
- Perquisites may include housing, medical aid, car allowance and education for employees' children.

Step 1: Identify the common feature of the benefits The picture lists 'Housing', 'Car Allowance', 'Medical Aid' and 'Education to Children'. These are additional benefits supplied by the employer over and above regular salary. In NCERT's classification of financial incentives, this collection represents perquisites.

Step 2: Check the other alternatives Option (A), pay and allowances, refers mainly to salary, dearness allowance and other regular wage payments; it does not identify this package of extra benefits. Option (B), retirement benefits, covers benefits such as pension, provident fund and gratuity, which are not shown here. Option (C), productivity linked wage incentives, links additional wages to productivity; the picture states no productivity condition. Option (D) correctly groups all four pictured benefits as perquisites.

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

Quick Tip to Solve: A group containing housing, medical aid, car facilities and children's education signals perquisites beyond salary.

For Visually Impaired Candidates :

17. Authority, responsibility, rewards, perquisites and prestige of job etc. indicate which of the following non-financial incentives given to a person holding a managerial position ? [1 mark]

(A) Job Enrichment

(B) Job security

(C) Status

(D) Organisational climate

Correct Answer: (C) Status

Solution:

Concept:

- Directing: status is a non-financial incentive representing a person's position and prestige in an organisational hierarchy.
- Authority, responsibility, rewards, perquisites and prestige associated with a job indicate the status of its holder.

Step 1: Identify the incentive from its indicators The question gives 'Authority, responsibility, rewards, perquisites and prestige of job'. Together, these indicate the status attached to a managerial position. Status means ranking of positions in an organisation. Recognition of a manager's position helps satisfy social and esteem needs, which makes status a non-financial incentive.

Step 2: Eliminate the other incentives Option (A), job enrichment, means designing work with greater variety, challenge, autonomy and opportunities for personal growth. Option (B), job security, means stability of employment and assurance about future income. Option (D), organisational climate, concerns characteristics of the organisation that influence employees' behaviour, such as autonomy, reward orientation and support. The question instead identifies the position's authority and prestige, so option (C), status, fits directly.

Step 3: Conclusion The non-financial incentive is status. Hence, the correct option is (C).

Quick Tip to Solve: Connect authority, responsibility and prestige attached to a position with status; security concerns continued employment.

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

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

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

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

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

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

Solution:

Concept:

- Nature and Significance of Management: top management sets overall goals, strategies and organisational direction.
- Middle management interprets top-management policies and cooperates with other departments to ensure smooth functioning.

Step 1: Locate the departmental function Cooperating with other departments for the smooth functioning of the organisation is a function of middle management. Departmental managers must coordinate their activities so that organisational policies and plans are implemented effectively. Therefore, the activity in (A) belongs to middle management.

Step 2: Check the remaining functions Top management is responsible for the welfare and survival of the organisation, making (B) a top-level function. It analyses the business environment and its implications for the firm, as stated in (C). It also formulates overall organisational goals and strategies, as stated in (D). All three therefore belong to top management and cannot answer the question asking for the exception.

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

Quick Tip to Solve: Separate overall direction and survival from departmental implementation and cooperation.

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

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

Choose the correct option from the options given below :

a b c d [1 mark]

(A) ii iii i iv

(B) i iv ii iii

(C) iv i iii ii

(D) iii ii iv i

Correct Answer: (C) iv i iii ii

Solution:

Concept:

- Directing: non-financial incentives satisfy psychological, social and esteem needs.
- Employee participation, organisational climate, employee empowerment and status are distinct non-financial incentives.

Step 1: Match participation and climate Employee participation involves employees in decision making on issues related to them, so a matches iv. Organisational climate consists of characteristics describing an organisation and distinguishing it from others, so b matches i.

Step 2: Match empowerment and status, then check the codes Employee empowerment gives subordinates greater autonomy and powers, so c matches iii. Status is the ranking of positions in the organisation, so d matches ii. The complete sequence is therefore iv, i, iii, ii, which appears in (C). Option (A) incorrectly pairs participation with ranking; (B) pairs it with organisational characteristics; (D) pairs it with autonomy. Each of those mismatches rules out that option.

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

Quick Tip to Solve: Use participation = decisions, empowerment = autonomy, status = rank, and climate = organisational characteristics.

20. NV Electronics has an innovative range of smartphones, T.V's, home entertainment systems, kitchen appliances and air conditioners. Besides supplying quality products, their focus is also on handling customer complaints speedily, providing maintenance services, procuring credit services etc. The function of marketing discussed above is : [1 mark]

(A) Branding

(B) Marketing Planning

(C) Product designing and development

(D) Customer support services

Correct Answer: (D) Customer support services

Solution:

Concept:

- Marketing Management: customer support services are a function of marketing.
- Support includes complaint handling, maintenance and credit services, helping customers obtain satisfaction from the product.

Step 1: Identify the clues in the case The case stresses 'handling customer complaints speedily', 'providing maintenance services' and 'procuring credit services'. These activities assist customers in buying and using products and resolve problems associated with their use. Together they identify customer support services.

Step 2: Eliminate the other marketing functions Branding, option (A), gives a product a distinctive name or identity; no such naming decision is described. Marketing planning, option (B), sets marketing objectives and programmes, rather than handling individual customer needs. Product designing and development, option (C), concerns product features and design. Although innovative products are mentioned, the specific activities highlighted after their supply are customer support services, as stated in (D).

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

Quick Tip to Solve: Focus on the activities after "Besides supplying quality products": complaints, maintenance and credit indicate support.

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

Solution:

Concept:

- Nature and Significance of Management: features describe the basic nature of the process through which managers get work done effectively and efficiently.
- Goal orientation, pervasiveness and continuity are three distinct features of management. Each describes management itself rather than a benefit it provides.

Step 1: State goal orientation **Management is a goal-oriented process:** An organisation exists to achieve specific objectives. Management unites the efforts of different individuals and directs their

activities towards those common organisational goals. Thus, managerial decisions and actions have a definite purpose rather than being unrelated tasks.

Step 2: State pervasiveness **Management is all pervasive:** Management is required in all types of organisations, whether economic, social or political, and whether large or small. It is also needed at every level and in every department. The activities and methods may differ with the organisation, but the need to coordinate people and resources remains.

Step 3: State continuity **Management is a continuous process:** Its functions of planning, organising, staffing, directing and controlling are performed continuously. Managers carry out these interrelated functions as ongoing organisational activities, and several functions may operate simultaneously. Management therefore does not end after a single decision or task.

Step 4: Conclusion Three features are that management is a goal-oriented process, is all pervasive and is a continuous process.

Quick Tip to Solve: For a question asking features, name each characteristic and explain what it says about the nature of management; avoid substituting its importance.

OR

21(b). State any three points of significance of Business Environment. [3 marks]

Solution:

Concept:

- Business Environment: significance of understanding the external individuals, institutions and forces that affect the performance of a business enterprise.
- Environmental understanding helps managers recognise favourable opportunities, detect adverse changes and respond to a changing business setting.

Step 1: Explain the opportunity advantage **Identifying opportunities and getting the first-mover advantage:** Opportunities are favourable external trends or changes that can improve a firm's performance. Understanding the environment enables a business to identify such opportunities early and take action before competitors. It can thereby serve an emerging customer need and gain an advantage by being the first to respond.

Step 2: Explain early warning of threats **Identifying threats and early warning signals:** Threats are unfavourable external trends or changes that may hinder a firm's performance. Awareness of the environment enables managers to recognise these developments in advance. They can prepare suitable responses and take corrective action before the adverse development seriously affects the enterprise.

Step 3: Explain adaptation to change **Helping in coping with rapid changes:** Market conditions, technology, competition and customer preferences change rapidly. Continuous environmental scanning helps managers understand these developments and formulate suitable courses of action. The enterprise can adapt its practices to emerging conditions instead of continuing with methods that have become unsuitable.

Step 4: Conclusion Understanding the business environment helps a firm seize opportunities, obtain early warning of threats and cope with rapid changes.

Quick Tip to Solve: State significance as a benefit to the firm: early opportunities, early threats and adaptation to rapid change give three distinct points.

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

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

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

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

Solution:

Concept:

- Staffing: recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation.
- External recruitment draws candidates from outside the enterprise. Direct recruitment and placement agencies and management consultants are two such sources.

Step 1: Identify and explain the source in case (i) **Direct recruitment:** The clue is that the supervisor placed a notice "at the entrance of the construction site" inviting "Daily wage labourers needed for 15 days" to report at a specified time. Under direct recruitment, an enterprise displays a notice at its premises specifying the jobs available. Applicants assemble on the stated date, and suitable candidates are selected on the spot. This source is commonly used for casual or daily-wage workers and is particularly useful when there is a sudden rush of work or a need for temporary labour, as in Veer Infrastructure's delayed project.

Step 2: Identify and explain the source in case (ii) **Placement agencies and management consultants:** Vista Bank approached "Avon Consultants", which "shortlisted and forwarded qualified candidates to Vista Bank". Such agencies and consultants act as specialised intermediaries between employers and job seekers. They maintain information about candidates, attract applications and screen applicants according to the client's requirements. Management consultants are especially useful in recruiting managerial personnel. Avon's use of its database and screening services to find experienced middle-level managers establishes this source; the bank did not itself recruit merely through a job advertisement.

Step 3: Conclusion (i) Veer Infrastructure uses direct recruitment. (ii) Vista Bank uses placement

agencies and management consultants, specifically a management consultancy firm.

Quick Tip to Solve: A notice at the employer's premises for temporary workers signals direct recruitment; an outside consultant screening and forwarding candidates signals consultancy recruitment.

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

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

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

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

Solution:

Concept:

- Financial Markets: SEBI performs regulatory functions to regulate securities-market participants and protective functions to safeguard investors against malpractice.
- Identify the category from the action: collecting information and inspecting concerns are regulatory activities; prohibiting fraudulent and unfair trade practices protects investors.

Step 1: (i) Regulatory function and its evidence **Regulatory function:** SEBI calls for information and undertakes inspections, enquiries and audits of stock exchanges and intermediaries. The relevant words are: "called for detailed trading information and conducted enquiries and inspections." This enabled SEBI to examine trading activity and establish what had happened in the securities market.

Step 2: (i) Protective function and its evidence **Protective function:** SEBI prohibits fraudulent and unfair trade practices in the securities market. The relevant line is: "By taking action against the group of traders, SEBI made it clear that fraudulent and unfair trade practices are strictly prohibited." Spreading false contract news to artificially raise the share price is the malpractice against which investors are protected.

Step 3: (ii) One additional function of each category **Another regulatory function:** SEBI registers brokers, sub-brokers and other players in the market, bringing their activities within its regulatory framework.

Another protective function: SEBI prohibits insider trading, that is, dealing in securities using privileged information available to company insiders and unavailable to the investing public.

Step 4: Conclusion The two categories are regulatory and protective functions. Registering market

intermediaries is another regulatory function; prohibiting insider trading is another protective function.

Quick Tip to Solve: Link inspections to regulation and action against fraud to protection; give a different example when asked for one more function.

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

Solution:

Concept:

- Staffing: Internal sources of recruitment fill vacancies by moving employees who already work in the organisation. Transfers and promotions are the two principal internal sources.
- A transfer is a horizontal movement at a comparable level; a promotion is a vertical movement to a higher position with greater responsibility.

Step 1: Transfers **Meaning:** A transfer shifts an employee from one job, department, branch or location to another without a substantive change in status, responsibilities or remuneration. It is a horizontal movement within the organisation.

Use as a source: Employees from departments with surplus staff can fill vacancies in departments with shortages. Thus the organisation meets staffing needs using its existing employees. Transfers may also broaden employees' experience and help them learn different jobs; they do not amount to advancement to a higher rank.

Step 2: Promotions **Meaning:** A promotion moves an employee to a higher position carrying greater responsibilities, higher status and usually increased pay. It is a vertical movement in the organisational hierarchy.

Use as a source: A higher-level vacancy is filled by selecting a suitable employee already serving at a lower level. The organisation benefits from knowledge of the employee's abilities and performance. Opportunities for advancement motivate employees to improve performance and can strengthen their commitment to the organisation.

Step 3: Conclusion Transfers fill vacancies through horizontal movement at a comparable level, while promotions fill higher positions through upward movement of existing employees.

Quick Tip to Solve: Remember the direction of movement: transfer means horizontal movement; promotion means upward movement with greater responsibility.

OR

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

Solution:

Concept:

- Staffing: Placement and orientation integrate a selected employee into the organisation; performance appraisal evaluates the employee's performance against established standards.
- These steps help the organisation put people into suitable jobs, familiarise them with work and assess how effectively they carry out their responsibilities.

Step 1: Placement **Placement:** Placement refers to the employee occupying the position or post for which the person has been selected. After selection, the employee is assigned the specified job and its responsibilities. The purpose is to put the selected person into the appropriate position so that the employee's abilities can be used effectively. Placement therefore concerns the actual assignment to a job, rather than merely choosing a candidate.

Step 2: Orientation **Orientation:** Orientation introduces the new employee to other employees and familiarises the person with the organisation's rules and policies. It helps the employee understand the workplace, reporting relationships and expected conduct. This introduction assists the employee in adjusting to the new surroundings and beginning work with confidence. Placement and orientation together help the selected person become a functioning member of the organisation.

Step 3: Performance appraisal **Performance appraisal:** This means evaluating an employee's current or past performance against predetermined standards. The employee is expected to know these standards, and the superior assesses actual performance in relation to them. Feedback communicates strengths and areas needing improvement. Appraisal provides a basis for corrective guidance and decisions such as training or promotion, while helping employees understand how well they are performing their assigned duties.

Step 4: Conclusion Placement assigns the selected employee to the post; orientation familiarises the employee with people, rules and policies; performance appraisal evaluates performance against predetermined standards.

Quick Tip to Solve: Separate the three actions clearly: assign the job, introduce the workplace, and evaluate performance against standards.

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

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

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

Solution:

Concept:

- Consumer Protection: consumer responsibilities include retaining proof of purchase and seeking redressal against defective goods, irrespective of the value involved.
- Consumer redressal machinery can order replacement of defective goods, compensation for loss or injury, and payment of litigation costs.

Step 1: Identify the first responsibility fulfilled **Ask for and retain a cash memo:** A consumer should obtain a cash memo for a purchase because it is evidence of the transaction and can support a complaint. Meera fulfilled this responsibility by retaining her purchase documents and "showing the cash memo and the warranty card" when she approached the shopkeeper. These documents establish the purchase and the warranty claim.

Step 2: Identify the second responsibility fulfilled **File a complaint against a genuine grievance:** A consumer should seek redressal against defective goods or deficient services even when the amount involved is small. The mixer-grinder stopped working within ten days and the shopkeeper refused assistance. Meera acted responsibly because, "Though the product was only for" Rs 5,000, "she filed a complaint" before the District Consumer Disputes Redressal Forum.

Step 3: State the first relief obtained **Replacement of the defective product:** A redressal body may direct replacement of defective goods with new goods free from defects. In this case, "The Forum ordered the store to replace the product within 30 days." Thus Meera secured a replacement for the defective mixer-grinder rather than being left with an unusable product.

Step 4: State the second relief obtained **Compensation for mental harassment:** The Forum awarded Rs 1,000 for the mental harassment caused to Meera. This is monetary relief for the injury she suffered due to the defective product and refusal of assistance. The order also provided Rs 800 towards legal costs, meeting the expense of pursuing redressal.

Step 5: Conclusion Meera retained proof of purchase and filed a complaint despite the small purchase value. She obtained replacement within 30 days and Rs 1,000 compensation for mental harassment; the Forum also awarded Rs 800 for legal costs.

Quick Tip to Solve: Separate what Meera did from what the Forum ordered: the former gives responsibilities, while replacement and compensation give reliefs.

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

Solution:

Concept:

- Staffing: internal recruitment fills vacancies from within the organisation through promotions and transfers of existing employees.
- Promotion moves an employee to a position with greater responsibility and status; transfer shifts an employee between jobs or departments, usually without substantial change in responsibility or status.

Step 1: Explain its motivational benefit **Improves motivation and morale:** The prospect of promotion encourages employees to improve their performance because they see opportunities for growth within the organisation. Employees feel that their contribution is recognised and that advancement is possible. Internal recruitment can therefore strengthen their commitment and loyalty to the enterprise.

Step 2: Explain simpler selection and placement **Simplifies selection and placement:** Management already knows the abilities, experience and work record of existing employees. It can assess their suitability for vacant positions using this information. Consequently, selection is easier, and the risk of choosing an unsuitable person is reduced compared with selecting a completely unknown candidate.

Step 3: Explain its economy **Economical source:** Filling a position internally avoids much of the expenditure on advertising vacancies, inviting outside applications and screening a large number of external candidates. Existing employees are also familiar with the organisation and its policies. Thus internal sources generally require less time and money than external recruitment.

Step 4: Explain adjustment of the workforce **Facilitates adjustment of surplus staff:** Transfers help redeploy employees from departments where they are surplus to departments where there is a shortage. The organisation can balance its staffing requirements by making better use of people already employed. This helps meet changing manpower needs without immediately recruiting additional employees from outside.

Step 5: Conclusion Four merits of internal recruitment are improved employee motivation and morale, simpler selection and placement, economy in recruitment, and adjustment of surplus staff through transfers.

Quick Tip to Solve: Link promotion with motivation and transfer with staff redeployment; then add known employee records and lower recruitment cost.

OR

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

Solution:

Concept:

- Staffing: training and development improve employees' knowledge and skills and benefit both the individual and the organisation.

- Benefits to the organisation concern productivity, systematic learning, managerial succession, and the ability to respond to change.

Step 1: State benefits for learning and performance

- **Systematic learning and reduced wastage:** Training is a systematic process of learning. It is better than learning by trial and error, which wastes money and effort. Planned instruction helps employees learn the correct methods of work and avoids unnecessary mistakes during learning.
- **Higher productivity and profitability:** Training enhances employees' productivity in both quantity and quality. Employees develop the skills needed to perform their work efficiently, produce better output, and contribute to higher profits for the organisation.

Step 2: State benefits for managerial continuity and change

- **Preparation of future managers:** Training equips future managers to take over in an emergency. By developing employees in advance, the organisation has capable people available to assume greater responsibilities when a managerial position needs to be filled.
- **Effective response to a changing environment:** Training helps an organisation respond effectively to a fast-changing technological and economic environment. Employees acquire updated knowledge and skills, enabling the organisation to adapt its working methods to new requirements.

Step 3: Conclusion Four benefits of training to the organisation are systematic learning with less wastage, higher productivity and profits, preparation of future managers, and effective adaptation to technological and economic change.

Quick Tip to Solve: Keep every benefit at the organisation level: learning costs, output, future managers and adaptation; avoid listing only the employee's promotion or earnings.

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

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

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

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

Solution:

Concept:

- Organising: a functional structure groups jobs of a similar nature into departments such as production, marketing and finance.
- Advantages of functional structure include occupational specialisation, coordination and control

within departments, reduced duplication, and attention to different functions.

Step 1: Identify the structure from the departmental grouping **(i) Functional structure:** Fresh Foods Pvt. Ltd. follows a functional organisation structure. Its operations are divided into "Production, Marketing, Finance, Human Resources and Research and Development", and each department's team focuses only on work related to that department. Thus jobs are grouped according to the business function performed. The organising basis is the nature of the work, rather than separate products or geographical areas.

Step 2: Select advantages not already discussed in the case The case already discusses specialisation, managerial and operational efficiency leading to higher profits, and easier training. The following are three other advantages:

- **Better control and coordination within a department:** Employees in a department perform similar tasks under a departmental head. This facilitates coordination of their activities and makes supervision and control within that department easier.
- **Minimum duplication of effort:** Similar activities are brought together instead of being repeated in different parts of the organisation. This reduces duplication of effort, leads to economies of scale and lowers costs.
- **Due attention to different functions:** Each important business function has its own department and a responsible head. Consequently, every function receives the attention it requires rather than being neglected while attention is concentrated on another activity.

Step 3: Conclusion (i) The structure is functional. (ii) Three additional advantages are better control and coordination within departments, minimum duplication of effort with lower costs, and due attention to the different business functions.

Quick Tip to Solve: Underline the benefits already stated in a case before choosing additional ones; here use departmental control, reduced duplication and attention to every function.

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

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

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

Solution:

Concept:

- Marketing Management: product designing and development concerns the appearance, quality and performance of a product so that it meets the needs of its target customers.

- Standardisation and grading concerns producing according to predetermined specifications and classifying products into groups on the basis of their important characteristics.

Step 1: Product designing and development **Identification and evidence:** The first function is **product designing and development**. The case says that the team made the bike "attractive and stylish" and gave it a "sleek body, sharp headlights and a digital speedometer." It also improved the bike's "aerodynamics and fuel efficiency."

Explanation: Product design determines how a product looks and performs. A good design makes it attractive to the target customers and improves its utility, quality and performance. Priya Motors designs the bike to appeal to young riders while improving its functional performance. Its distinctive design differentiates the bike from competing brands and gives the company a competitive advantage.

Step 2: Standardisation and grading **Identification and evidence:** The second function is **standardisation and grading**. The words "strict quality standards" and "uniformity and consistency in output" indicate standardisation. Offering "different versions of bike with different prices based on features" indicates grading.

Explanation: Standardisation means producing goods of predetermined specifications, helping maintain uniform quality and consistency. Thus, buyers can rely on the prescribed standards of each bike. Grading means classifying products into different groups according to important characteristics such as quality, size or features. The different feature-based versions allow customers to select the category suited to their requirements and budget. Standardisation sets the specifications, while grading distinguishes the categories offered for sale.

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

Quick Tip to Solve: Link styling and performance to product design; link uniform output and feature-based versions to standardisation and grading.

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

(i) Planning reduces creativity

(ii) Planning involves huge costs [4 marks]

Solution:

Concept:

- Planning: limitations of planning include reduced creativity when employees merely implement plans made by top management, and the substantial costs of developing plans.
- Planning is useful only when its expected benefits justify the time, effort and money spent on it.

Step 1: Planning reduces creativity **Concentration of planning at the top:** Planning is generally undertaken by top management, while managers and employees at lower levels are expected to implement the plans. They may have little participation in deciding how work should be done.

Limited scope for initiative: When employees strictly follow predetermined plans and the instructions of their superiors, they may neither be permitted to deviate from the plans nor encouraged to think independently. They can become accustomed to carrying out orders rather than suggesting original

ideas. Thus, excessive dependence on plans can discourage initiative and creativity, even among employees who understand the work closely.

Step 2: Planning involves huge costs **Cost of preparing plans:** Formulating plans requires collection and analysis of information, investigation and comparison of alternatives. Scientific calculations, surveys and studies may be needed to establish facts and figures. The organisation may also have to pay experts and incur expenses in meetings and discussions. All these activities involve considerable expenditure of money, time and effort.

Need to compare costs with benefits: These costs are incurred before the plan is implemented and do not by themselves assure successful results. If the cost of planning exceeds the benefits derived from it, planning becomes an expensive exercise. Management must therefore ensure that the expected benefits of a plan justify the resources used to prepare it.

Step 3: Conclusion Planning can reduce creativity by making lower-level employees mere implementers of predetermined plans. It can also involve huge costs because collecting information, studying alternatives and obtaining expert advice require substantial resources.

Quick Tip to Solve: For creativity, explain who makes and who implements plans; for costs, name the planning activities that consume resources.

OR

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

(i) Quick decision-making

(ii) Relief to top management [4 marks]

Solution:

Concept:

- **Organising:** Decentralisation means the systematic delegation of authority throughout the organisation, down to the levels at which work is performed, while retaining authority over major policy decisions at the top.
- The importance tested here is quicker decision-making at operating levels and relief to top management through sharing decision-making responsibilities.

Step 1: Explain quick decision-making **(i) Quick decision-making:** In a decentralised organisation, decision-making authority is placed close to the point where action is taken. Managers at lower levels can take decisions within their delegated authority without referring every routine matter to their superiors. There is no need for each proposal to move repeatedly up and down the hierarchy for approval, so delays are reduced. These managers are also directly in touch with local conditions and operating problems and can use this knowledge to decide promptly. Thus, work proceeds faster and the organisation responds more quickly to changing circumstances.

Step 2: Explain relief to top management **(ii) Relief to top management:** Decentralisation gives subordinate managers the authority and responsibility to handle routine operating decisions. As a result, top executives are freed from having to decide every day-to-day matter themselves. They can

devote more time and attention to important policy issues, long-term planning, coordination and strategic decisions affecting the organisation as a whole. Delegation therefore reduces their workload and improves the use of their managerial time. Top management still retains overall accountability and control; relief arises from sharing decision-making work rather than abandoning supervision.

Step 3: Conclusion Decentralisation promotes quick decisions by empowering managers near the point of action and relieves top management so that it can concentrate on major organisational policies and strategy.

Quick Tip to Solve: Link quick decisions to fewer referrals for approval, and relief to top management to freedom from routine decisions; explain the distinct benefit of each.

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

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

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

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

Solution:

Concept:

- **Marketing Management:** Price determination involves considering product cost, customer demand, competition and other relevant factors. The case asks for any two factors, so product cost and extent of competition are explained below.
- Product cost sets the minimum price that a firm seeks to recover in the long run; competitors' prices and competing offers provide reference points when deciding a suitable market price.

Step 1: Identify and explain product cost **1. Product cost:** The case states that "the total cost of producing, packaging, distributing and selling the cream came to" Rs 60 per tube and that this would be "the minimum price to cover the cost." Product cost includes the expenditure on producing the product and on distributing and selling it. In the long run, the selling price must recover the total cost and also provide a reasonable profit if the business is to survive and grow. Thus, cost provides a floor for price determination. Nat-Ayur considered Rs 60 its cost-covering minimum and sought a fair profit margin above it; cost was therefore an explicit basis for its pricing decision.

Step 2: Identify and explain extent of competition **2. Extent of competition in the market:** The relevant evidence is that "many face creams with similar features are available in the market priced between" Rs 80 and Rs 120. Competitors' prices, the quality and features of their products, and their likely reactions must be considered when setting a price. When several firms offer similar products, a firm has less freedom to charge a price without considering rival offers because buyers can compare alternatives. Nat-Ayur accordingly selected Rs 99 to compete effectively and attract customers while offering better benefits. Its price was assessed against the prevailing range of comparable creams rather than being based on cost alone.

Step 3: Conclusion Two factors considered were **product cost**, shown by the Rs 60 cost-covering minimum, and **extent of competition**, shown by the competing creams priced between Rs 80 and Rs 120 and Nat-Ayur's selection of Rs 99.

Quick Tip to Solve: For each pricing factor, quote a case clue and then explain its role: cost gives the floor, while rivals' prices provide a competitive reference.

31(a). Explain 'Harmony, Not Discord' as a principle of Scientific Management and 'Method Study' and 'Standardization and Simplification of Work' as techniques of Scientific Management. [6 marks]

Solution:

Concept:

- Scientific management: Taylor's principle of Harmony, Not Discord promotes shared interests between management and workers.
- Techniques of scientific management: Method Study finds the best method of working; Standardisation and Simplification establish work standards and remove unnecessary varieties.

Step 1: Harmony, Not Discord: mutual understanding **Replace conflict with harmony:** Management and workers should realise that both are essential to the organisation and that their interests are interdependent. Conflict over work and the division of gains harms both sides. Taylor therefore advocated harmonious relations rather than distrust and disagreement between employers and employees.

Step 2: Harmony, Not Discord: mental revolution **Change the attitude of both sides:** This requires a complete mental revolution in the attitudes of management and workers towards one another. Management should share the gains from increased productivity with workers and care for their welfare; workers should work sincerely and accept changes that improve efficiency. Both should seek to increase the size of the surplus instead of quarrelling over its distribution.

Step 3: Method Study: find the best way **Determine the best method:** Method study identifies the one best way of performing a job. All activities, from the procurement of raw materials to the delivery of the finished product, are examined. Different possible ways of doing the work are compared, including the sequence of operations, the movement of materials and the arrangement of machines.

Step 4: Method Study: reduce cost and improve output **Eliminate inefficient procedures:** The method selected should minimise production costs and maximise quality and customer satisfaction. Unnecessary handling and movement are removed, and machines and operations are arranged in

the most suitable order. Thus method study improves how the work is carried out rather than merely asking employees to work harder.

Step 5: Standardisation of work **Establish standards as benchmarks:** Standardisation means setting standards for every business activity, such as processes, raw materials, time, products, machinery and working conditions. These standards provide benchmarks for actual performance. Its objectives include reducing products to fixed types, sizes and characteristics, making manufactured parts interchangeable, and establishing standards of excellence in materials and performance.

Step 6: Simplification of work **Remove unnecessary diversity:** Simplification eliminates superfluous varieties, sizes and dimensions of products. A manufacturer concentrates on a manageable range instead of producing needless variants. This reduces excessive inventories and the variety of equipment required, facilitates fuller use of equipment, and helps increase turnover and lower production costs. It complements standardisation by reducing the range to which uniform standards must be applied.

Step 7: Conclusion Harmony, Not Discord creates cooperation through a mental revolution; Method Study selects the best procedure; and Standardisation and Simplification create consistent work standards while eliminating unnecessary varieties.

Quick Tip to Solve: Distinguish the three clearly: harmony concerns attitudes, method study concerns the best procedure, and standardisation with simplification concerns uniformity and fewer varieties.

OR

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

(i) Division of work

(ii) Discipline

(iii) Equity [6 marks]

Solution:

Concept:

- Principles of Management: Fayol's Division of Work develops specialisation, Discipline ensures respect for organisational agreements, and Equity requires fair and kind treatment.
- These principles are general guidelines for managerial behaviour and apply across different kinds of organisations.

Step 1: (i) Division of work: specialisation **Divide work into specialised tasks:** Fayol recommended dividing work into small tasks and assigning them to trained specialists. A person who repeatedly performs a particular task acquires skill and expertise in it. This principle applies to both technical and managerial activities; it is not restricted to work done by factory workers.

Step 2: (i) Division of work: greater efficiency **Produce more and better with the same effort:** Specialisation allows employees to concentrate on the activities for which they are best suited. It improves speed, accuracy and efficiency, leading to better output and greater productivity. For example, separate specialists may handle production, finance and marketing rather than one individual attempting every function without the required expertise.

Step 3: (ii) Discipline: obedience and respect for agreements **Observe rules and commitments:** Discipline means obedience to organisational rules and to the employment agreement necessary for the organisation's working. Employees should fulfil their responsibilities and managers should honour the commitments made to them. It requires respect for the rules and agreements that govern the relationship between the organisation and its employees.

Step 4: (ii) Discipline: conditions for effective observance **Provide good superiors and fair enforcement:** Discipline requires good superiors at all levels, clear and fair agreements, and judicious application of penalties. For example, if management and workers agree to cooperate to improve productivity, workers should carry out their commitment and management should provide the benefits it promised. Enforcement should be thoughtful and consistent rather than arbitrary.

Step 5: (iii) Equity: fairness with kindness **Treat employees justly and kindly:** Equity calls for kindness and justice in the treatment of employees so that they develop loyalty and devotion to the organisation. Managers should not discriminate on grounds such as sex, religion, language, caste, belief or nationality. Employees should have a fair opportunity to contribute and receive treatment consistent with their work and responsibilities.

Step 6: (iii) Equity: impartiality without abandoning discipline **Combine fairness with necessary firmness:** Equity does not mean that every employee receives identical treatment regardless of conduct or performance. A manager may take suitable action against a person who fails to work, while remaining fair and free from personal bias. The aim is an environment in which employees trust management because its decisions reflect justice and kindness rather than favouritism.

Step 7: Conclusion Division of Work improves efficiency through specialisation; Discipline ensures that rules and agreements are respected by both sides; and Equity creates loyalty through fair, kind and impartial treatment.

Quick Tip to Solve: Use Fayol's key terms: specialisation for Division of Work, obedience to fair agreements for Discipline, and kindness plus justice for Equity.

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

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

Solution:

Concept:

- Planning: Objectives state the results to be achieved, while a strategy provides a comprehensive course of action for achieving organisational objectives.
- Planning: Policies guide managerial decisions within broad boundaries; a budget expresses expected results in numerical terms.

Step 1: Identify the objective

- **Objective:** The case states, "Greener sets its target to increase its sales by 25% in the next year." An objective is the desired future position or end result that an organisation seeks to achieve through its activities. It should be stated clearly, preferably in measurable terms and within a specified period. The sales target specifies both the extent of improvement and the time available. It provides a common direction to sales, production, marketing and logistics and forms the basis for preparing their respective plans.

Step 2: Identify the strategy

- **Strategy:** The company "made a comprehensive plan to enter Tier-2 and Tier-3 cities by working with local farmer groups." A strategy is a comprehensive plan for accomplishing an organisation's objectives. It includes determining long-term objectives, adopting a course of action and allocating the resources necessary to achieve them. The choice of new geographical markets, farmer-group partnerships and online promotion explains how Greener intends to achieve its sales objective in the business environment.

Step 3: Identify the policy

- **Policy:** The case says, "All raw materials used had to be certified organic and preferably sourced from local farmers." Policies are general statements that guide thinking or channelise energies towards a particular direction. They define broad parameters within which managers may function and exercise discretion. This sourcing policy guides purchase decisions consistently: managers must ensure organic certification and give preference to local sources, while selecting suitable suppliers within these boundaries.

Step 4: Identify the budget

- **Budget:** The company "allocated Rs 50 lakhs for marketing", including expenditure on advertisements, digital marketing, promotional events and dealer incentives. A budget is a statement of expected results expressed in numerical terms. This financial allocation translates the marketing plan into measurable expenditure limits. As a plan for future spending, it helps coordinate the use of available funds; actual expenditure can subsequently be compared with the budget to control costs and evaluate performance.

Step 5: Conclusion The four types of plans are objective, strategy, policy and budget, as identified and explained above.

Quick Tip to Solve: Match a numerical target to objective, a comprehensive course of action to strategy, decision guidelines to policy and a numerical spending plan to budget.

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

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

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

Solution:

Concept:

- Financial Management: Fixed capital refers to investment in long-term assets, such as plant and machinery, used over several accounting periods.
- The nature of business and growth prospects influence the amount required; financing alternatives and collaboration can reduce the need to purchase fixed assets.

Step 1: Nature of business

- **Nature of business:** The case states that "'Freshju' is a trading company, selling bottled juices made by other manufacturers" and that it "decided to enter into 'Juice manufacturing'." A trading concern generally needs less investment in fixed assets because it purchases and resells goods rather than producing them. A manufacturing concern requires plant, machinery and other production facilities. Therefore, Freshju's move from trading into manufacturing increases its fixed capital requirements as it must establish the facilities necessary to make juice itself.

Step 2: Growth prospects

- **Growth prospects:** Freshju "has ambitious plans to export its juices to other countries in the future"

and, "To meet anticipated higher demand in future, the company set-up a larger manufacturing unit." A business expecting higher growth must invest in greater production capacity to meet future demand. Consequently, it generally needs more fixed capital than a business expecting limited growth. Freshju's anticipated expansion into export markets explains the present investment in a larger unit and the resulting increase in its fixed capital needs.

Step 3: Financing alternatives

- **Financing alternatives:** The case says, "instead of buying all new machinery 'Freshju' took some expensive machines on lease." When assets are available on lease, an enterprise can use them by paying lease rentals instead of investing the entire purchase price upfront. The availability of leasing therefore reduces the funds that the company must commit to acquiring fixed assets. Freshju can obtain the services of expensive machines while reducing its immediate fixed capital requirement; rentals remain a continuing payment obligation.

Step 4: Level of collaboration

- **Level of collaboration:** Freshju "collaborated with a nearby packaging unit to use their packing machines during peak-season." Collaboration enables businesses to share facilities instead of each acquiring a complete set of assets independently. Sharing the packaging unit's machines allows Freshju to meet seasonal demand without buying additional equipment that would remain underutilised in the off season. A higher level of such collaboration therefore reduces its fixed capital requirement compared with arranging all the necessary facilities through ownership.

Step 5: Conclusion The four factors are nature of business, growth prospects, financing alternatives and level of collaboration. The first two increase the requirement here, while leasing and shared facilities reduce the need for Freshju to purchase fixed assets.

Quick Tip to Solve: For each factor, quote its own case evidence and state whether it increases investment in fixed assets or reduces the need to buy them.

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

Solution:

Concept:

- Directing: personal barriers to communication arise from the personal factors, attitudes and perceptions of superiors and subordinates.
- These barriers interfere with the willingness to send, receive or understand messages, even when an appropriate communication channel is available.

Step 1: Barriers arising from the superior's attitude

- **Fear of challenge to authority:** A superior may fear that a particular communication will adversely affect their authority. To protect their position, the superior may withhold or suppress that information. Consequently, subordinates do not receive the information they need, and the free flow of communication is obstructed. The barrier arises from the superior's personal fear of losing authority.

- **Lack of confidence of superior in subordinates:** If a superior does not have confidence in the competence and capability of subordinates, the superior may not seek their advice, opinions or suggestions. Useful information from employees therefore does not reach decision makers. The superior's distrust discourages participation and restricts upward communication.

Step 2: Barriers affecting the subordinate's willingness to communicate

- **Unwillingness to communicate:** Subordinates may be unwilling to communicate with their superiors if they believe that sharing information could adversely affect their interests. For instance, a subordinate may withhold information about an unfavourable development for fear of its consequences. Information is then concealed or delayed instead of being communicated promptly and accurately.
- **Lack of proper incentives:** If there is no motivation or incentive for communication, subordinates may not take the initiative to communicate. When a useful suggestion receives neither appreciation nor reward, an employee may stop offering further suggestions. The absence of recognition thus reduces voluntary communication and prevents management from benefiting from employees' ideas.

Step 3: Conclusion The four personal barriers are fear of challenge to authority, lack of confidence of the superior in subordinates, unwillingness to communicate, and lack of proper incentives.

Quick Tip to Solve: Recall two barriers related to superiors (fear and distrust) and two affecting subordinates (unwillingness and lack of incentives), then explain how each restricts communication.

OR

34(b). Explain any four points of importance of controlling function of management. [6 marks]

Solution:

Concept:

- Controlling: the managerial function of comparing actual performance with predetermined standards, analysing deviations and taking corrective action so that organisational objectives are achieved.
- The importance of controlling lies in keeping performance on course and providing feedback for improving plans, standards and the use of resources.

Step 1: Achievement of goals and review of standards

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings to light deviations from the planned course. Managers identify why actual performance differs from the standards and take corrective action. In this way, controlling guides activities towards the objectives for which plans were made and helps the organisation remain on the right track.
- **Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate and objective. By comparing actual performance with standards, managers can judge whether the standards were realistic. Control also helps management review

and revise standards in the light of changes in the organisation and its environment, making future performance targets more useful.

Step 2: Efficient use of resources and employee motivation

- **Making efficient use of resources:** Under a control system, activities are performed according to predetermined standards. Employees know the expected level of performance, and managers can detect wastage, spoilage or inefficient working. Corrective action reduces unnecessary consumption of resources and helps ensure that human and material resources are used effectively for organisational purposes.
- **Improving employee motivation:** An effective control system communicates clearly what employees are expected to do and the standards against which their performance will be evaluated. This clarity gives direction to their work and encourages them to perform better. When performance is assessed against known standards, employees understand how their efforts contribute to the expected results, which supports motivation.

Step 3: Conclusion Controlling is important because it helps accomplish organisational goals, judge the accuracy of standards, use resources efficiently and improve employee motivation.

Quick Tip to Solve: For each importance point, explain what control does and the resulting benefit: goals, realistic standards, reduced wastage and clear performance expectations.