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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question paper contains **34** questions. **All** questions are **compulsory**.

(ii) Marks are indicated against each question.

(iii) Answers should be brief and to the point.

(iv) Answers to questions carrying **3** marks may be from 50 to 75 words.

(v) Answers to questions carrying **4** marks may be in about 150 words.

(vi) Answers to questions carrying **6** marks may be in about 200 words.

(vii) Attempt all parts of a question together.
Questions no. **1 to 20** are Multiple Choice Questions (MCQs), carrying **1 mark** each. $20 \times 1 = 20$

1. From the picture given below, identify the responsibility that the consumer is fulfilling while purchasing 'Ready-to-Eat Pasta' : [1 mark]



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

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

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

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

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

Solution:

Concept:

- Consumer Protection: consumer responsibilities, particularly careful reading of product labels.
- Identify the precise action or wording in the question before selecting the textbook term.

Step 1: Recognise the action shown The consumer is examining the information printed on the pasta container. This directly illustrates the responsibility to read labels carefully for information such as price, net weight, manufacturing date and expiry date. Reading this information helps the buyer judge the suitability of the packaged food before purchasing it.

Step 2: Eliminate the other responsibilities Option (A) concerns awareness of different goods and services in the market; the picture specifically shows examination of a label. Option (B) concerns asserting oneself for a fair deal, which is not depicted. Option (D) concerns obtaining a cash memo, whereas no bill is being requested or received.

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

Quick Tip to Solve: When a consumer studies information on a package, choose the responsibility of reading labels carefully.

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

(A) Inter-relatedness

(B) Dynamic nature

(C) Complexity

(D) Relativity

Correct Answer: (B) Dynamic nature

Solution:

Concept:

- Business Environment: dynamic nature means the environment keeps changing.
- Identify the precise action or wording in the question before selecting the textbook term.

Step 1: Identify the changing conditions The case refers to 'rapid technological improvements, changing consumer preferences and the entry of new competitors'. These changes require Gamma Ltd. to revise its plans frequently. The emphasis is on changes over time, which indicates the dynamic nature of the business environment.

Step 2: Distinguish the other features Option (A), inter-relatedness, refers to the links between different environmental factors. Option (C), complexity, refers to the difficulty of understanding the combined impact of many forces. Option (D), relativity, means the environment differs across regions or countries. None describes the repeated changes emphasised here as directly as dynamic nature.

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

Quick Tip to Solve: Frequent revision of plans because conditions keep changing points to dynamic nature.

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

(A) Higher than earlier

(B) Lower than earlier

(C) Same as earlier

(D) Nil

Correct Answer: (B) Lower than earlier

Solution:

Concept:

- Financial Management: level of collaboration affects the fixed capital required by a business.

- Identify the precise action or wording in the question before selecting the textbook term.

Step 1: Apply the collaboration factor The firms 'jointly set up a common dyeing and finishing plant' because neither could fully utilise it alone. Sharing a facility avoids each business having to establish and finance a separate plant. Thus, collaboration reduces the investment in fixed assets needed by each company.

Step 2: Check the alternatives Option (A) is incorrect because sharing the plant reduces, rather than raises, each firm's requirement. Option (C) ignores the saving from joint use of the facility. Option (D) is incorrect because the requirement does not become nil: each company still needs to finance its share and its other fixed assets. The saving therefore means a lower requirement.

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

Quick Tip to Solve: Joint use of an expensive facility reduces each firm's fixed capital requirement; it does not eliminate it.

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

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

(A) Setting performance standards

(B) Measurement of actual performance

(C) Comparing actual performance with standards

(D) Taking corrective action

Correct Answer: (D) Taking corrective action

Solution:

Concept:

- Controlling: taking corrective action removes the causes of deviations from planned performance.
- Identify the precise action or wording in the question before selecting the textbook term.

Step 1: Locate the remedial step The manager 'arranged training programmes for workers and also hired additional workers'. These measures address the identified cause of the production shortfall, namely the shortage of trained workers. Action taken to remove the cause of a deviation is taking corrective action.

Step 2: Separate action from earlier stages Option (A) refers to fixing the target of 8,000 bulbs. Option (B) refers to finding actual production of 6,000 bulbs. Option (C) refers to comparing that output with the target and observing the shortfall. Training and recruitment go beyond these earlier

stages and attempt to correct the deficiency.

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

Quick Tip to Solve: In a controlling case, identify whether the manager sets a target, measures output, compares it or remedies the cause.

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

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

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

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

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

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

Solution:

Concept:

- Staffing: limitations of internal recruitment compared with external recruitment.
- Identify the precise action or wording in the question before selecting the textbook term.

Step 1: Interpret the negative question The question asks which statement is not a limitation of internal sources. Option (C) describes dissatisfaction among existing employees when their promotion opportunities are reduced. This is a limitation of external recruitment, because outsiders may fill positions that existing employees hoped to obtain.

Step 2: Verify the internal-source limitations Option (A) is a limitation of internal recruitment because relying on existing employees restricts the entry of fresh talent. Option (B) is also a limitation: assured time-bound promotion can make employees lethargic. Option (D) is another limitation because restricted competition may hamper the competitive spirit. Internal recruitment normally motivates employees through promotion opportunities rather than reducing those opportunities in the manner described in (C).

Step 3: Conclusion Dissatisfaction caused by reduced promotion chances is not the stated limitation of internal sources. Hence, the correct option is (C).

Quick Tip to Solve: Underline the word not, then identify the statement associated with hiring outsiders rather than promoting existing staff.

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

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

(A) Management helps in achieving group goals

(B) Management helps in increasing efficiency

(C) Management helps in achieving personal objectives

(D) Management helps in the development of society

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

Solution:

Concept:

- Nature and Significance of Management: management helps in achieving personal objectives.
- Identify the precise action or wording in the question before selecting the textbook term.

Step 1: Identify the individual benefit The decisive words are 'individual members are able to achieve personal goals while contributing to the organisational objective'. By motivating and leading employees, the manager integrates their individual needs with organisational goals. This highlights management helping employees achieve personal objectives.

Step 2: Distinguish the other importance points Option (A) emphasises achieving the common goals of the group, whereas the highlighted benefit is personal goal fulfilment. Option (B) concerns reducing costs and using resources efficiently; no such saving is described. Option (D) concerns the development and welfare of society, which is not the focus of this statement.

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

Quick Tip to Solve: Words such as personal goals and individual needs identify the personal-objectives importance of management.

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

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

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

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

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

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

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

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

Solution:

Concept:

- Organising: identification and division of work, departmentalisation, assignment of duties, and establishing authority and reporting relationships.
- Identify the precise action or wording in the question before selecting the textbook term.

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

Step 2: Check each printed option Option (B) contains all four correct matches. Option (A) incorrectly equates departmentalisation with reporting relationships. Option (C) correctly matches the first two entries but interchanges identification and division of work with assignment of duties. Option (D) incorrectly matches departmentalisation with division of work and also misidentifies the remaining steps.

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

Quick Tip to Solve: First separate grouping similar work from dividing work; then distinguish assigning a job from specifying reporting authority.

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

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

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

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

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

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

Solution:

Concept:

- Organising: Divisional structure groups activities around products; each division carries out several functions.
- Use the NCERT definition and distinguish the closely related alternatives.

Step 1: Divisions repeat resources Each product division may maintain its own purchasing, production and sales facilities. This duplication increases costs; minimal duplication and economies of scale are therefore not an advantage of a divisional structure.

Step 2: Check the remaining choices Option (A) is an advantage because responsibility for several functions develops varied managerial skills. Option (B) is an advantage because autonomous divisions can take decisions quickly. Option (C) is an advantage because an additional product division can be created without disrupting existing divisions.

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

Quick Tip to Solve: Look for repeated departments across product divisions: duplication raises costs.

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

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

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

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

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

Options : [1 mark]

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

(B) (ii) and (iii)

(C) (i) and (iv)

(D) (i) and (ii)

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

Solution:

Concept:

- Staffing: Training benefits both the organisation and its employees; NCERT distinguishes the two categories.
- Use the NCERT definition and distinguish the closely related alternatives.

Step 1: Identify benefits to the organisation Statement (i) is an organisational benefit: trained future managers provide continuity when a replacement is needed in an emergency. Statement (iv) is also an organisational benefit: better quantity and quality of output improve productivity and profits.

Step 2: Separate benefits to employees Statements (ii) and (iii) describe employee benefits: safer machine handling reduces accidents, while improved performance increases satisfaction and morale. Although these may indirectly help the organisation, the question tests the textbook classification. Option (A) includes both categories; (B) lists employee benefits; and (D) mixes the categories.

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

Quick Tip to Solve: Classify each benefit by its immediate recipient before selecting the combination.

10. Read the following statements carefully :

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

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

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

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

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

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

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

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

Solution:

Concept:

- Business Environment: The business environment includes specific forces and general forces outside an enterprise.
- Use the NCERT definition and distinguish the closely related alternatives.

Step 1: Evaluate Statement I Statement I is true. Specific forces include customers, suppliers, investors and competitors. General forces include social, political, legal, technological and economic conditions. Both form part of the business environment.

Step 2: Evaluate Statement II and the choices Statement II is false. Specific forces affect individual enterprises directly and immediately. General forces affect enterprises more broadly and can influence an individual firm indirectly. Thus (B) reverses the truth values, (C) wrongly accepts Statement II and (D) wrongly rejects Statement I.

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

Quick Tip to Solve: Associate specific forces with direct contact: customers, suppliers and competitors.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Financial Markets: Dematerialisation holds securities electronically in a demat account, with debits and credits resembling a bank account.
- Use the NCERT definition and distinguish the closely related alternatives.

Step 1: Judge Assertion (A) Assertion (A) is true. Shares are held electronically and transfers are reflected through entries in the demat account. This makes holding and transferring shares convenient, much as funds are recorded in a bank account.

Step 2: Judge Reason (R) Reason (R) is true in the textbook context: SEBI has made settlement in demat form mandatory. This concerns the regulatory requirement governing settlement of securities.

Step 3: Test the explanatory link The compulsory use of demat settlement does not explain why electronic holding is convenient. Convenience follows from electronic records and account-based transfers, not from a rule requiring their use. Options (A) and (B) wrongly reject the assertion; option (D) wrongly treats the rule as the explanation.

Step 4: Conclusion Both statements are true, but the reason does not explain the assertion. Hence, the correct option is (C).

Quick Tip to Solve: After checking both statements, ask whether the reason explains the bank-account convenience.

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

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

(A) Primary packaging

(B) Transportation packaging

(C) Secondary packaging

(D) General packaging

Correct Answer: (A) Primary packaging

Solution:

Concept:

- Marketing Management: Primary packaging is the immediate container of a product; secondary packaging provides an additional protective layer.
- Use the NCERT definition and distinguish the closely related alternatives.

Step 1: Identify the immediate container The case states that Reena found a "small glass bottle containing an expensive face cream". The bottle directly contains the cream and remains with it during use. It therefore represents primary packaging. The decorative cardboard box is the additional, secondary layer.

Step 2: Eliminate the other choices Option (B), transportation packaging, refers to packaging used for storage, identification and transport of bulk units, such as cartons. Option (C) describes the outer cardboard box rather than the bottle. Option (D), general packaging, is not the textbook level relevant here. The presence of a label on both containers does not change their packaging levels.

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

Quick Tip to Solve: Identify the container touching or directly holding the product; that is primary packaging.

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

(A) Depository Participant

(B) National Securities Depository Limited

(C) Central Depository Services Limited

(D) Stock Exchange

Correct Answer: (A) Depository Participant

Solution:

Concept:

- Financial Markets: A depository participant is the intermediary through whom an investor accesses a depository and maintains a demat account.
- Use the NCERT definition and distinguish the closely related alternatives.

Step 1: Identify the intermediary A Depository Participant (DP) links the investor with the depository. An investor opens a demat account through a DP, which provides the interface for holding and transferring securities in electronic form. This is exactly the intermediary role described in the question.

Step 2: Distinguish the remaining institutions Options (B) and (C), National Securities Depository Limited and Central Depository Services Limited, are depositories themselves, rather than the intermediary between the investor and a depository. Option (D), a stock exchange, provides a market for trading existing securities; it is not the intermediary named in the question.

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

Quick Tip to Solve: Distinguish the depository from its investor-facing intermediary, the Depository Participant.

14. The market for creation and exchange of financial assets is known as : [1 mark]

(A) Financial market

(B) Primary market

(C) Secondary market

(D) Money market

Correct Answer: (A) Financial market

Solution:

Concept:

- Financial Markets: A financial market facilitates the creation and exchange of financial assets and channels savings into investment.
- Use the NCERT definition and distinguish the closely related alternatives.

Step 1: Apply the broad definition The expression "creation and exchange of financial assets" defines a financial market. It includes institutions and arrangements through which financial assets are issued and traded, enabling funds to move from savers to users of funds.

Step 2: Compare the narrower alternatives Option (B), the primary market, deals with the issue of new securities. Option (C), the secondary market, deals with the purchase and sale of existing securities. Option (D), the money market, deals with short-term funds and instruments. Each is narrower than the broad market covering creation and exchange of financial assets.

Step 3: Conclusion The market is known as the financial market. Hence, the correct option is (A).

Quick Tip to Solve: When the definition covers financial assets broadly, select the umbrella term financial market.

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

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

(A) It helps in coping with rapid changes.

(B) It helps in tapping useful resources.

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

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

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

Solution:

Concept:

- Business Environment: importance of identifying threats and early warning signals.

Step 1: Identify the environmental signal The anticipated entry of a premium foreign automobile brand is an external competitive threat. The words 'foresees a decline in the market share' show that Sumi recognises an unfavourable development before it actually affects its sales.

Step 2: Compare the alternatives Early identification lets Sumi prepare through advertising, lower production costs, better quality and new features. Option (A) is broader and does not capture the decisive advance warning of a competitor. Option (B) concerns obtaining resources, which is not the issue. Option (C) concerns a favourable opportunity and first mover advantage; the case describes a threat to an existing firm's market share.

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

Quick Tip to Solve: Look for an anticipated adverse development: recognising it early indicates threats and early warning signals.

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

(A) Financial planning

(B) Financial management

(C) Financial leverage

(D) Investment decision

Correct Answer: (A) Financial planning

Solution:

Concept:

- Financial Management: financial planning estimates fund requirements and specifies their sources.

Step 1: Identify the process The Finance Manager 'estimates the fund requirements and specifies the source of funds'. These are the two central elements of financial planning: determining how much finance is needed and how it will be obtained so that funds are available when required.

Step 2: Eliminate the other processes Financial management in option (B) is the wider activity of managing finance and taking financial decisions; the question asks for this specific planning process. Financial leverage in option (C) refers to the use of debt carrying fixed financing charges. An investment decision in option (D) concerns the allocation of funds to assets or projects, rather than estimating requirements and specifying sources.

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

Quick Tip to Solve: The paired clues estimating the funds needed and specifying their sources identify financial planning.

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

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

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

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

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

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

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

Solution:

Concept:

- Financial Markets: SEBI performs protective, regulatory and development functions.

Step 1: Classify the stated function Conducting research and publishing information useful to market participants is a regulatory function of SEBI in the NCERT classification. The question asks which function is not protective, so this classification is decisive; providing useful information alone does not make it part of the protective category.

Step 2: Check the protective alternatives Option (A), prohibiting fraudulent and unfair trade practices such as misleading statements and price rigging, protects investors against market abuse. Option (C), controlling insider trading and imposing penalties, protects investors against misuse of privileged information. Option (D), promoting fair practices and a code of conduct, is also a protective function. All three must therefore be rejected for this negative question.

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

Quick Tip to Solve: Underline the word not, then classify each activity using the NCERT categories rather than its general benefit.

18. Read the following statements carefully :

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

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

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

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

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

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

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

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

Solution:

Concept:

- Financial Management: business risk influences the debt capacity of a firm.

Step 1: Evaluate Statement I Statement I is true. Fixed operating costs must be paid even when sales decline. A larger fixed operating cost burden therefore makes operating earnings more sensitive to changes in sales and increases business risk. Such costs are different from interest, which creates financial risk.

Step 2: Evaluate Statement II and the alternatives Statement II is also true. A firm with lower business risk has greater capacity to accept the additional financial risk associated with debt and its fixed interest obligation. A firm already facing high business risk should use less debt. Thus (A) wrongly rejects Statement II, (B) wrongly rejects Statement I and (D) wrongly rejects both statements. Only (C) recognises that both are true.

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

Quick Tip to Solve: Keep operating fixed costs separate from financing charges: lower business risk leaves more capacity for debt risk.

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

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

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

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

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

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

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

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

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

Solution:

Concept:

- Staffing: estimating manpower requirements through workload analysis and workforce analysis.

Step 1: Judge the assertion Assertion (A) is true. Workload analysis determines the number and types of employees needed to perform the work. Workforce analysis assesses the number and types of employees already available in the organisation. Both are needed to estimate manpower requirements.

Step 2: Judge the reason Reason (R) is true. Comparing the employees required with those available reveals whether the organisation is overstaffed, understaffed or optimally staffed. This comparison identifies a surplus, a shortage or a match between demand and supply of manpower.

Step 3: Test the explanatory link The staffing position explains why both analyses are important: workload analysis supplies the requirement, while workforce analysis supplies the existing availability. Neither alone gives the complete staffing gap. Thus (B) wrongly denies the explanatory link, (C) wrongly declares the reason false, and (D) wrongly declares the assertion false.

Step 4: Conclusion The correct option is (A): Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Quick Tip to Solve: Compare employees required with employees available; the gap explains the need for both staffing analyses.

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

(A) Capital structure

(B) Financial leverage

(C) Interest Coverage Ratio

(D) Debt-Service Coverage Ratio

Correct Answer: (C) Interest Coverage Ratio

Solution:

Concept:

- Financial Management: interest coverage ratio measures the ability to meet interest obligations.

Step 1: Identify the ratio Interest Coverage Ratio expresses how many times a company's earnings before interest and taxes cover its interest obligation. It assesses the cushion available for paying interest; a higher coverage generally indicates a stronger ability to meet that fixed financing commitment.

Step 2: Distinguish the other options Capital structure in option (A) is the mix of debt and equity used for financing. Financial leverage in option (B) refers to the use of debt with fixed financing charges. Debt-Service Coverage Ratio in option (D) considers the capacity to meet debt service, including principal repayment as well as interest. Since the question refers specifically to earnings before interest and taxes covering interest, these alternatives do not fit.

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

Quick Tip to Solve: When the denominator obligation is interest alone and the earnings named are before interest and taxes, choose ICR.

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

(i) Investment outlay

(ii) Duration

(iii) Safety [3 marks]

Solution:

Concept:

- Financial Markets: money market and capital market, compared on investment outlay, duration and safety.
- The money market deals in short-term funds; the capital market provides medium-term and long-term finance through securities such as shares and debentures.

Step 1: Identify the two markets Capital market securities help businesses obtain funds for medium-term and long-term requirements. The money market meets short-term financial requirements through instruments such as treasury bills and commercial paper. The comparison must use the three bases named in the question.

Step 2: Compare on the specified bases

Basis	Capital Market	Money Market
Investment outlay	Investment need not be large. Securities can be bought in small units, making participation possible even for small investors.	Transactions entail huge sums of money. The instruments are generally expensive and involve a large investment outlay.
Duration	Deals in medium-term and long-term funds, generally for periods exceeding one year.	Deals in short-term funds and instruments with a maturity of up to one year.
Safety	Securities are comparatively riskier, both in terms of return and repayment of principal.	Instruments are comparatively safer because of their short duration and the financial standing of issuers.

Step 3: Conclusion The capital market permits smaller investment units, serves periods exceeding one year and carries relatively greater risk; the money market requires larger outlays, serves periods up to one year and is comparatively safer.

Quick Tip to Solve: Compare each named basis across both markets; do not replace investment outlay with the size of the issuing business.

OR

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

Solution:

Concept:

- Financial Markets: the primary market for new issues and the secondary market for existing securities.
- The primary market channels fresh savings to issuers; the secondary market provides liquidity by allowing investors to trade securities already issued.

Step 1: Identify the nature of each market The primary market is also called the new issue market. It is used when securities are sold by the issuing company to investors for the first time. The secondary market is also called the stock market or stock exchange; it enables the purchase and sale of existing securities among investors.

Step 2: State three differences

Basis	Primary Market	Secondary Market
Nature of securities	Deals with new securities issued for the first time by companies.	Deals with existing securities that have already been issued.
Parties to the transaction	Securities are sold by the issuing company to investors, directly or through intermediaries.	Existing investors sell securities to other investors through the trading mechanism.
Flow of funds	Funds from the sale go to the company and directly finance its investment requirements and capital formation.	Sale proceeds go to the selling investor, rather than to the issuing company; trading provides liquidity and indirectly encourages investment.

Step 3: Conclusion The primary market deals in new securities sold by companies to investors and brings funds to issuers. The secondary market deals in existing securities traded among investors, with proceeds going to the sellers.

Quick Tip to Solve: Ask whether the issuing company receives fresh funds: this distinguishes a primary issue from a secondary-market resale.

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

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

Solution:

Concept:

- Consumer Protection: reliefs available through consumer redressal machinery when goods are defective.
- A consumer commission may direct removal of a defect, replacement with defect-free goods or refund of the price paid, according to the relief appropriate to the complaint.

Step 1: Connect the complaint with the defect The manufacturer's technical team confirmed that 'the motor was defective'. This supports Aditi's complaint about defective goods. Further, the manufacturer 'neither replaced the blender, nor refunded her money'. If satisfied about the defect, the consumer court can order appropriate relief against the manufacturer.

Step 2: State any three available reliefs

- **Removal of the defect:** The court may order the manufacturer to remove the defect in the blender.

In this case, the defective motor must be repaired or replaced so that the appliance functions properly.

- **Replacement of the goods:** The court may direct the manufacturer to replace the defective blender with a new blender free from any defect. This would give Aditi a properly functioning appliance in place of the faulty one.
- **Refund of the price:** The court may order the manufacturer to refund the price paid by Aditi, namely Rs 2,000, instead of requiring her to retain the defective blender.

These are available forms of relief; the court grants the appropriate remedy according to the facts. They do not mean that Aditi necessarily receives a repaired blender, a new blender and the full price together.

Step 3: Conclusion Three reliefs available to Aditi are removal of the defect, replacement with a defect-free blender and refund of the Rs 2,000 paid.

Quick Tip to Solve: For defective goods, recall the three direct remedies: remove the defect, replace the goods or refund the price paid.

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

(i) Transportation

(ii) Storage or Warehousing [3 marks]

Solution:

Concept:

- Marketing Management: transportation and storage or warehousing are marketing functions that make products available where and when consumers need them.
- Transportation creates place utility, while storage creates time utility by bridging the gap between production and consumption.

Step 1: (i) Transportation **Transportation:** Transportation means the physical movement of goods from the place of production to the place where consumers need them. Producers and consumers are often located far apart, so transport links factories with markets and enables goods to reach wholesalers, retailers and final buyers. The marketer considers the nature of the product, the cost involved, speed and reliability while choosing a suitable mode of transport. Timely movement ensures availability at the required place and facilitates sale.

Step 2: (ii) Storage or warehousing **Storage or warehousing:** Storage means holding and preserving goods from the time they are produced until they are required for sale or consumption. Production and consumption do not always take place simultaneously. Warehousing bridges this time gap and maintains a regular supply, including when production or demand is seasonal. It protects goods against loss or damage, helps maintain stock to meet demand and avoids interruption in distribution. Thus, products remain available at the time customers require them.

Step 3: Conclusion Transportation makes products available at the right place; storage or warehousing keeps them available at the right time.

Quick Tip to Solve: Link transport with the gap in place and warehousing with the gap in time between production and consumption.

OR

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

(i) Utility and demand

(ii) Government and legal regulations [3 marks]

Solution:

Concept:

- Marketing Management: price determination considers the value buyers obtain, the demand for the product and the legal limits within which a business operates.
- The utility and demand for a product indicate what customers are willing to pay; government and legal regulations may restrict the price a firm can charge.

Step 1: (i) Utility and demand **Utility and demand:** The utility provided by a product and the intensity of demand set the upper limit of the price a buyer is willing to pay. Buyers normally purchase a product when the utility or satisfaction obtained is at least equal to the sacrifice made in paying its price. Demand also depends on price elasticity. When demand is elastic, a rise in price causes a relatively large fall in demand, so a high price may reduce sales considerably. When demand is inelastic, the firm has greater scope to charge a higher price because demand is less sensitive to price changes.

Step 2: (ii) Government and legal regulations **Government and legal regulations:** Government may intervene in pricing to protect the public against unfair practices and exploitation. For example, it may regulate or fix prices of essential commodities in the public interest. Such legal requirements limit a firm's freedom to determine its own selling price. The marketer must therefore consider applicable government directions and legal restrictions before fixing the product's price; it cannot simply charge any price that demand appears to permit.

Step 3: Conclusion Price must reflect the utility and demand for the product while remaining within government and legal regulations.

Quick Tip to Solve: For utility and demand, explain the buyer's willingness to pay and elasticity; for regulation, explain the limit on the seller's freedom.

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

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

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

Solution:

Concept:

- Marketing Management: the promotion mix includes personal selling, public relations and sales promotion, each serving a different communication purpose.
- Identify a promotion tool by its method: direct interaction with prospects, management of public image, or short-term incentives to buy.

Step 1: Corporate gifting market: personal selling **Personal selling:** KUL appoints salespersons to 'contact prospective corporate clients' with the aim of making a sale. Personal selling is personal communication with one or more prospective customers for the purpose of making a sale. The salesperson explains the stationery, creates awareness and can respond directly to the client's questions or requirements. The decisive clue is the direct contact by salespersons with prospective buyers.

Step 2: International market: public relations **Public relations:** The case states that KUL focuses on 'managing public opinion and building a positive image' and 'builds goodwill about the business'. Public relations involves activities designed to create and maintain favourable relations and a favourable image among the firm's various publics. Disseminating information and building goodwill identify public relations rather than a direct selling interaction.

Step 3: Domestic retail market: sales promotion **Sales promotion:** KUL offers 'cash discounts, free gifts, etc.' to encourage buyers to make an 'immediate purchase'. Sales promotion refers to short-term incentives designed to encourage the purchase or sale of a product. These extra inducements supplement other promotion efforts and stimulate quick buying. The incentives, rather than public image building or a salesperson's personal presentation, determine the tool used in this market.

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

Quick Tip to Solve: Match salesperson contact to personal selling, goodwill to public relations, and immediate-purchase incentives to sales promotion.

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

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

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

Solution:

Concept:

- Staffing: external sources of recruitment attract prospective employees from outside the organisation to fill vacant positions.
- The method is identified from how applicants reach the employer: employee recommendations, specialist agencies, direct recruitment or stored applications.

Step 1: Recommendations and specialist agencies

- **Recommendations of employees:** The company prefers applicants "introduced by existing senior employees" for work requiring trust and confidentiality. Existing employees recommend people known to them; their knowledge of both the organisation and the applicants helps in locating suitable candidates.
- **Placement agencies and management consultants:** The company "contacts private agencies and professional bodies" for specialised technical and professional roles. These agencies compile candidates' bio-data and recommend suitable names to clients. Management consultants help recruit professional, technical and managerial personnel, such as the Marketing Head and Operations Manager mentioned here.

Step 2: On-the-spot recruitment and stored applications

- **Direct recruitment:** The company posts vacancies "on the company's notice board", and job seekers assemble outside its premises for selection "on the spot". This method is commonly used for casual vacancies involving unskilled or semi-skilled work and attracts available local candidates.
- **Casual callers:** The company "maintains a record of unsolicited job applications" and contacts suitable applicants when vacancies arise. Such applications are kept on file, giving the employer a ready pool of candidates without initiating a fresh recruitment exercise each time.

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

Quick Tip to Solve: A notice at the factory gate with immediate selection means direct recruitment; unsolicited applications kept for later vacancies mean casual callers.

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

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

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

Solution:

Concept:

- Financial Management: the dividend decision determines the portion of earnings distributed to shareholders and the portion retained in the business.
- Dividend policy is influenced by stability of earnings and dividends, shareholders' preferences and the company's access to the capital market.

Step 1: Earnings and continuity of dividends

- **Stability of earnings:** Suruchi Textiles is described as having "stable earnings". A company with relatively stable earnings can predict its future income with greater confidence and is therefore in a position to declare a higher dividend. Uncertain earnings would make a high regular payout harder to sustain.
- **Stability of dividends:** The company has been "paying regular dividends for the last seven years". Companies generally try to stabilise dividends so that shareholders receive a reasonably predictable payment. They ordinarily increase dividends only when they are confident that the higher level can be maintained in future; the established record supports investor confidence.

Step 2: Investors' needs and availability of outside finance

- **Shareholders' preference:** A large number of shareholders "depend on regular income from their investment" and expect "at least a minimum dividend every year". The company considers these preferences when deciding dividends. Since these shareholders need current income, it follows a high dividend policy to meet their expectations.
- **Access to capital market:** The company has a "strong reputation in the capital market" and raises the capital needed for expansion from that market. A company with easy access to capital markets can depend on external finance for investment and can afford to pay higher dividends. A company with restricted access generally needs to retain a larger share of its profits.

Step 3: Conclusion Four factors are stability of earnings, stability of dividends, shareholders' preference, and access to the capital market. These explain the company's regular, high dividend policy and its ability to finance expansion externally.

Quick Tip to Solve: Separate stable profits from stable payouts: earnings support the capacity to pay, while dividend stability concerns maintaining a regular payment policy.

27(a). Explain any four organisational barriers to communication. [4 marks]

Solution:

Concept:

- Directing: communication is the exchange of information so that the receiver understands the intended meaning. Organisational barriers arise from the organisation's policies, rules, authority relationships and communication arrangements.
- Such barriers interfere with the free flow of messages even when the sender and receiver are willing to communicate. Four organisational barriers are explained below.

Step 1: Policies and procedural restrictions

- **Organisational policy:** An organisational policy that does not support a free flow of communication hinders effective communication. For example, if the policy requires every message to travel only through prescribed channels, employees may be unable to communicate freely across departments or levels.
- **Rules and regulations:** Rigid rules and cumbersome procedures can delay communication. Requirements such as using only specified forms or routing every message through several formal approvals make it difficult to transmit information quickly, particularly when prompt action is needed.

Step 2: Authority and the management hierarchy

- **Status:** The status of a superior may create a psychological distance between the superior and a subordinate. A subordinate may fear the superior's reaction and therefore hesitate to express an opinion, seek clarification or communicate unfavourable information. This obstructs candid upward communication.
- **Complexity in organisation structure:** In an organisation with many managerial levels, a message passes through several people before reaching its destination. This takes time and increases the possibility of filtering, distortion or loss of information at successive levels, reducing the accuracy and speed of communication.

Step 3: Conclusion Four organisational barriers to communication are organisational policy, rules and regulations, status, and complexity in organisation structure.

Quick Tip to Solve: Identify the organisational source of each barrier, then explain how it delays, restricts or distorts a message; do not replace these with semantic or personal barriers.

OR

27(b). State any four characteristics of directing function of management. [4 marks]

Solution:

Concept:

- Directing: the managerial process of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives. It brings the human resources of an organisation into action.
- The four characteristics of directing concern its role in initiating action, its presence at every management level, its continuity, and the downward flow of direction through the hierarchy.

Step 1: Initiation of action and presence at every level

- **Directing initiates action:** Directing starts the actual performance of work in an organisation. Planning sets objectives, organising establishes relationships and staffing provides suitable people; directing guides and motivates those people to begin working towards the objectives.
- **Directing takes place at every level of management:** Every manager, from top management to a supervisor, performs directing in relation to subordinates. Its scope varies with the level, but instructing, guiding and motivating employees is required wherever a superior-subordinate relationship exists.

Step 2: Continuity and downward flow

- **Directing is a continuous process:** Directing continues throughout the life of an organisation. Managers must regularly guide, supervise and motivate employees as activities continue and circumstances change. Although individual managers or employees may change, the need to direct organisational work remains.
- **Directing flows from top to bottom:** Direction originates with a superior and is communicated to subordinates through the organisational hierarchy. A manager directs immediate subordinates, who in turn direct people reporting to them. Thus, the flow of directing follows the downward chain of authority.

Step 3: Conclusion Directing initiates action, takes place at every level of management, is a continuous process, and flows from top to bottom.

Quick Tip to Solve: For characteristics of directing, recall action, every level, continuity and downward flow; supervision, motivation, leadership and communication are its elements.

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

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

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

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

Solution:

Concept:

- Directing: motivation is the process of stimulating people to act in a desired manner to accomplish desired goals. It helps turn a person's willingness into purposeful effort.
- The nature of motivation is understood through its features, including its internal nature, goal-directed behaviour and the complexity of motivating different individuals.

Step 1: (i) Identify the element from the case The element is **motivation**. Leena "was able to make them act in the desired manner to achieve organisational goals". The workers also "felt encouraged to perform better". These words show that she stimulated their willingness to work towards the organisation's goals. Spending time on the shop floor provides the setting, but the encouragement of workers and the stimulation of desired behaviour specifically identify motivation.

Step 2: (ii) State three features of motivation

- **Motivation is an internal feeling:** The urge to act arises within an individual. Drives, desires, aspirations and needs influence human behaviour; a manager stimulates these needs to encourage effort.
- **Motivation produces goal-directed behaviour:** It induces people to behave in a way that helps them attain their goals. Here, workers' improved effort is directed towards better performance and the achievement of organisational goals.
- **Motivation is a complex process:** Individuals differ in their expectations, perceptions and reactions. A particular motivator may influence one employee but may fail to influence another, so a manager must understand individual needs rather than expect the same method to work equally for everyone.

Step 3: Conclusion The directing element is **motivation**. Its three features stated above are that it is an internal feeling, produces goal-directed behaviour and is a complex process.

Quick Tip to Solve: Identify motivation from words about stimulating willingness and desired behaviour; being present on the shop floor alone does not settle the concept.

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

(i) Ensuring order and discipline

(ii) Facilitating coordination in action [4 marks]

Solution:

Concept:

- Controlling: management compares actual performance with predetermined standards, identifies deviations and takes corrective action so that organisational activities proceed as planned.
- Its importance includes ensuring order and discipline and facilitating coordination in action. Standards clarify expected conduct and performance, while corrective action keeps separate efforts aligned with common objectives.

Step 1: (i) Ensuring order and discipline

- **Orderly conduct and responsible performance:** Controlling creates an atmosphere of order and discipline by making employees aware that their activities and performance are being observed and assessed against prescribed standards. This encourages them to fulfil their responsibilities and follow organisational rules and procedures.
- **Checks on undesirable practices:** An effective control system checks dishonest and undesirable behaviour, such as theft, corruption, wastage and other misuse of organisational resources. Detecting departures and taking corrective action discourages their recurrence and helps maintain discipline throughout the organisation.

Step 2: (ii) Facilitating coordination in action

- **Common direction for individual and departmental efforts:** Controlling directs activities and efforts towards organisational goals. Each department and employee is governed by predetermined standards that are coordinated with one another, providing a common basis for assessing performance.
- **Harmony through corrective action:** When actual performance deviates from these standards, corrective action brings activities back into line with the plans. This prevents different units from working at cross-purposes and ensures that their efforts contribute together to the overall objectives of the organisation.

Step 3: Conclusion Controlling ensures order and discipline by checking undesirable conduct and promoting responsible work. It facilitates coordination by aligning individual and departmental performance with mutually coordinated standards and common organisational goals.

Quick Tip to Solve: For discipline, explain checks on undesirable conduct; for coordination, connect mutually coordinated standards with the common organisational goal.

OR

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

(i) Employee participation

(ii) Employee empowerment [4 marks]

Solution:

Concept:

- Directing: non-financial incentives satisfy psychological, social and esteem needs and motivate employees without directly increasing their monetary remuneration.
- Employee participation and employee empowerment both recognise employees' capabilities, but participation concerns involvement in decisions while empowerment concerns authority and autonomy in performing work.

Step 1: (i) Employee participation

- **Meaning:** Employee participation means involving employees in decision-making on issues related to them. Management seeks their views and suggestions instead of taking all such decisions without their involvement.
- **Motivational effect:** Participation makes employees feel that their opinions are valued and that they are part of the organisation. It satisfies their need for recognition and belonging, encourages acceptance of decisions and increases commitment to their implementation. Participation may be encouraged through committees such as a joint management committee or a suggestion system.

Step 2: (ii) Employee empowerment

- **Meaning:** Employee empowerment means giving employees more autonomy and powers in carrying out their work. Within their assigned responsibility, they receive authority to make relevant decisions rather than referring every matter to a superior.
- **Motivational effect:** The freedom to use their skills and judgement makes employees feel that their jobs are important. It strengthens confidence, initiative and responsibility, and encourages them to contribute positively to organisational goals. Thus, the trust placed in employees becomes a source of motivation even without a direct financial reward.

Step 3: Conclusion Employee participation motivates through a voice in decisions affecting employees; employee empowerment motivates through greater authority and independence in their work.

Quick Tip to Solve: Link participation with involvement in decisions and empowerment with autonomy and powers in doing the job.

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

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

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

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

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

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

Solution:

Concept:

- Marketing Management: marketing management philosophies guide an organisation's approach to production, products, customer satisfaction and social welfare.
- The production concept stresses availability and affordability; the product concept stresses quality and features; the marketing concept begins with customer needs; societal marketing also considers society's long-term interests.

Step 1: Rahul: production concept

- **Production concept:** Rahul says production should be "on a large scale making goods available and affordable to consumers". This concept assumes that consumers favour products that are widely available and affordable. Management therefore concentrates on improving production and distribution efficiency, increasing output and reducing costs so that goods can be offered at lower prices.

Step 2: Priya: marketing concept

- **Marketing concept:** Priya wants to "first identify the needs of the present and prospective buyers" and offer bottles "depending on the customers' needs". This concept holds that achieving organisational goals depends on identifying the needs and wants of the target market and satisfying them more effectively than competitors. Customer needs are the starting point, and customer satisfaction is the means of earning profits.

Step 3: Amit: product concept

- **Product concept:** Amit stresses "very good quality with features like time markers, filters or infusers". This concept assumes that consumers favour products offering superior quality, performance and innovative features. The organisation therefore directs its efforts towards improving its

products and their features.

Step 4: Sneha: societal marketing concept

- **Societal marketing concept:** Sneha emphasises "larger issues of long-term social welfare" and proposes "eco-friendly sustainable materials". This philosophy requires an organisation to identify and satisfy target customers' needs effectively while preserving or enhancing the well-being of consumers and society. It balances customer satisfaction, organisational objectives and long-term social welfare, as reflected in her proposal for reusable, sustainable bottles.

Step 5: Conclusion The philosophies are: Rahul—production concept; Priya—marketing concept; Amit—product concept; and Sneha—societal marketing concept.

Quick Tip to Solve: Match low cost and availability to production, superior features to product, buyer needs to marketing, and social welfare to societal marketing.

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

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

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

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

Solution:

Concept:

- Nature and Significance of Management: coordination integrates the efforts of people and departments to achieve common organisational objectives.
- The importance of coordination arises particularly from growth in size, functional differentiation and specialisation.

Step 1: (i) Identify and state the concept **Coordination** is the process by which a manager synchronises the activities of different departments. It provides the binding force which integrates individual efforts in pursuit of common goals. At Global Tech Ltd., management needs to link the work of

employees, departments and specialists so that their separate contributions produce unity of action towards organisational objectives.

Step 2: (ii) Importance: growth in size **Growth in size:** The case states, "As the company continued to grow, more employees from different backgrounds and work habits joined the organisation." As the number of employees increases, people may have different interests, attitudes and ways of working. Their individual objectives may differ from those of the organisation. Coordination harmonises individual goals with organisational goals and brings their efforts towards a common purpose.

Step 3: (ii) Importance: functional differentiation **Functional differentiation:** The case states, "Every department had its own objectives, policies and style of working." It adds, "As each department performed its activities in isolation from others, conflicts arose within the organisation." Finance, marketing and production may focus on their own departmental objectives at the expense of overall objectives. Coordination integrates their interdependent activities and reconciles departmental differences so that the company functions as one unit.

Step 4: (ii) Importance: specialisation **Specialisation:** The case states, "The specialists were confident of their professional knowledge and often did not consider suggestions from others in matters pertaining to their area of specialisation." Specialists may consider only their own professional viewpoint, causing conflict with one another and with other employees. Coordination reconciles these differences and integrates specialist contributions with the work of the rest of the organisation. This enables their expertise to support common organisational goals.

Step 5: Conclusion The concept is **coordination**. Its three points of importance illustrated here are **growth in size, functional differentiation and specialisation**.

Quick Tip to Solve: Match the large workforce with growth in size, separate departmental goals with functional differentiation, and expert disagreements with specialisation.

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

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

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

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

Solution:

Concept:

- Organising: formal organisation is the deliberately designed structure of authority and job relationships; informal organisation emerges spontaneously through social interaction.
- Advantages asked for outside the case must be distinct from role clarity, responsibility, avoidance of duplication, goal achievement and satisfaction of social needs already described.

Step 1: (i) Formal organisation: identification and meaning **Formal organisation:** The first paragraph describes a formal organisation. It is the structure of authority relationships deliberately designed by management to accomplish organisational objectives. It specifies reporting relationships, duties, responsibilities and the authority attached to different positions. The deciding words are "a well-defined organisational structure designed by the management" and "relationships among various job positions and the nature of their inter-relationship.

Step 2: (i) Informal organisation: identification and meaning **Informal organisation:** The second paragraph describes an informal organisation. It is the network of social relationships that arises spontaneously from interaction among employees within a formal organisation. Such relationships develop through personal contact and shared interests rather than deliberate managerial design. The evidence is that "employees from different departments of 'Kia Tyres' meet regularly" during lunch breaks and after office hours.

Step 3: (ii) Two other advantages of formal organisation **Unity of command:** Formal organisation establishes a chain of command so that each employee knows whose orders and instructions to follow and to whom to report. This preserves unity of command through an established hierarchy.

Stability: Formal organisation provides stability because behaviour is guided by established rules and procedures. Work and relationships depend on the defined positions and prescribed practices, helping the organisation maintain orderly functioning.

Step 4: (ii) Two other advantages of informal organisation **Faster communication and feedback:** Information can move quickly through informal relationships without following every stage of the formal scalar chain. Such communication can also provide management with quicker feedback about employees and workplace conditions.

Support for organisational objectives: Informal organisation can compensate for inadequacies in the formal structure. Managers can use knowledge of informal relationships and group norms to secure cooperation and improve organisational performance, thereby helping to fulfil organisational objectives.

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

Quick Tip to Solve: Underline "not discussed": avoid repeating role clarity or social satisfaction; select two additional textbook advantages for each type.

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

(i) Authority and Responsibility

(ii) Initiative

(iii) Subordination of individual interest to common good [6 marks]

Solution:

Concept:

- Principles of Management: Henri Fayol's principles guide managers in coordinating people and resources to achieve organisational objectives.
- Authority must match responsibility, employees should have scope for initiative, and the common interest must prevail over conflicting individual interests.

Step 1: (i) Authority and responsibility **Authority:** Authority is the right to give orders and obtain obedience. **Responsibility:** Responsibility is the obligation to perform the assigned duties. Fayol recommends a balance between the two: a manager entrusted with a task must receive enough authority to carry it out, while the authority granted must be accompanied by corresponding responsibility. Excessive authority may encourage its misuse, whereas responsibility without adequate authority prevents effective performance. For example, a production manager responsible for meeting a production target must have the authority to assign work and use the resources needed to meet it.

Step 2: (ii) Initiative **Freedom to suggest and execute plans:** Initiative means thinking out and executing a plan. Employees should be encouraged to develop and carry out plans for improvement within the limits of authority and discipline. This gives them an opportunity to contribute ideas, increases their involvement and develops enthusiasm for their work. A sound suggestion system can encourage employees to recommend improvements and reward useful suggestions. Initiative does not mean disregarding the manager's instructions or existing rules; it means encouraging constructive contributions within the organisation's framework.

Step 3: (iii) Subordination of individual interest to common good **Priority to organisational interest:** An organisation contains individuals and groups with their own interests. Whenever an individual's interest conflicts with the interest of the organisation, the organisational interest should take precedence. Managers must reconcile these interests as far as possible and ensure that personal preferences do not obstruct common objectives. For example, a purchasing manager should select a supplier who offers the best terms to the organisation rather than favouring a relative's business. Managers should set an example through fair conduct and avoid using their position for personal benefit at the organisation's expense.

Step 4: Conclusion Fayol's principles require a balance of authority and responsibility, encouragement of employees' initiative, and priority for the common organisational interest when it conflicts with individual interests.

Quick Tip to Solve: For each principle, state its meaning, explain the managerial implication and add a relevant example without replacing the explanation.

OR

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

(i) Primarily practical

(ii) Cause and effect relationship

(iii) Uncertain/Accidental [6 marks]

Solution:

Concept:

- Principles of Management: management principles are broad guidelines for decision-making and managerial behaviour, developed through observation and experimentation.
- Their application involves people and changing business situations; therefore, their effects depend on the conditions in which managers apply them.

Step 1: (i) Primarily practical **Grounded in experience:** Management principles are formed through managers' experience, observation and experimentation in actual working situations. They provide useful guidance for dealing with recurring managerial problems, rather than remaining abstract ideas disconnected from practice. For example, repeated experience with workers' performance supports division of work and specialisation. **Application to people:** Their practical use chiefly concerns human behaviour. A manager applies them while directing, motivating and coordinating people so that resources can be used to achieve organisational objectives. Since people differ in needs and responses, practical application requires judgement and suitable adaptation; it is not a mechanical procedure.

Step 2: (ii) Cause and effect relationship **Explaining likely consequences:** Management principles seek to establish relationships between managerial actions and their consequences. They help managers anticipate the probable results of decisions when the underlying conditions are similar. For example, division of work can improve efficiency through specialisation, while conflicting orders from several superiors can create confusion. **Less exact than physical laws:** These relationships cannot be completely precise because organisational results depend on several interacting factors and on human behaviour. A principle indicates a likely relationship and helps decision-making, but it does not guarantee an identical numerical result in every organisation.

Step 3: (iii) Uncertain/Accidental **Contingent application:** The relevant characteristic is that the application of management principles is contingent on the prevailing situation and requirements. Managers must consider the circumstances before selecting a principle and deciding how to apply it. For example, the amount of financial incentive needed to motivate employees may vary with their needs and the organisation's circumstances. **Results depend on conditions:** Because people and business conditions change, a principle does not produce a fixed and certain outcome in every case. This does not mean that principles are random guesses or that they are developed merely by accident. They are reasoned guidelines whose usefulness and effects depend on appropriate application in the particular situation.

Step 4: Conclusion Management principles are rooted in managerial practice, indicate probable cause-and-effect relationships, and require application according to the prevailing circumstances rather than guaranteeing fixed results.

Quick Tip to Solve: Connect practical usefulness with experience, cause and effect with probable results, and uncertainty with contingent application to the situation.

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

(i) Planning is a primary function of management

(ii) Planning is continuous

(iii) Planning is a mental exercise [6 marks]

Solution:

Concept:

- Planning: concept and features. Planning means setting objectives and deciding in advance the appropriate course of action to achieve them.
- Planning provides the basis for other managerial functions, continues through successive planning periods, and requires deliberate intellectual effort.

Step 1: (i) Planning is a primary function of management

- **Basis of other functions:** Planning precedes organising, staffing, directing and controlling. Managers first determine what the organisation wishes to achieve and how it will proceed; only then can they arrange resources and guide employees towards those objectives.
- **Primacy of planning:** The other functions are performed within the framework of plans. For example, the activities to be organised and the employees to be appointed depend on the chosen plan. Planning also establishes standards against which actual performance is controlled. Thus, it is called the primary function of management.

Step 2: (ii) Planning is continuous

- **Successive planning periods:** Plans are prepared for a specific period, such as a month, quarter or year. At the end of that period, fresh plans are required in the light of new requirements and future conditions; planning therefore does not end with the preparation of one plan.
- **Cycle and revision:** Planning, implementation and follow-up form a continuing cycle. Managers review results and changing circumstances, revise plans when necessary, and use this experience in the next planning period. Continuity keeps organisational action directed towards current objectives.

Step 3: (iii) Planning is a mental exercise

- **Intellectual activity:** Planning involves thinking rather than guesswork or wishful thinking. It requires foresight, imagination and sound judgement to anticipate future conditions and consider possible courses of action.
- **Logical and systematic decisions:** A manager gathers and analyses relevant facts, examines alternatives and chooses a suitable course of action through logical reasoning. Planning is therefore a purposeful mental exercise based on careful consideration of available information and objectives.

Step 4: Conclusion Planning has primacy because it guides the other management functions, continuity because plans must be renewed and reviewed, and an intellectual character because it rests on foresight and logical reasoning.

Quick Tip to Solve: Link primary with the basis of other functions, continuous with successive plans and review, and mental exercise with foresight and logical thinking.

OR

34(b). Explain the following steps in the process of planning :

(i) Setting objectives

(ii) Developing premises

(iii) Identifying alternative courses of action [6 marks]

Solution:

Concept:

- Planning: planning process. Managers establish the desired results, make assumptions about future conditions and identify possible ways of attaining the results.
- Objectives supply the destination; premises provide the assumed conditions; alternatives provide the possible courses from which a plan can later be selected.

Step 1: (i) Setting objectives

- **Specify the desired results:** The first step is to establish objectives for the entire organisation and for its departments or units. Objectives state what the organisation wants to achieve and give direction to the efforts of managers and employees.
- **Make objectives clear:** Objectives should be stated clearly so that all departments and employees understand what they must accomplish. They guide decisions about activities, resources and responsibilities. For example, a business may set a target for sales during the coming year, with departmental objectives supporting that overall target.

Step 2: (ii) Developing premises

- **Assumptions about the future:** Since plans are implemented in an uncertain future, managers make assumptions about the conditions in which the plans will operate. These assumptions are called planning premises and form the base on which plans are drawn.
- **Use common, informed assumptions:** Premises may be based on forecasts, existing plans, policies and past information, covering matters such as future demand, costs or government policies. Managers involved in planning should understand and agree upon these premises so that the plans of different departments are consistent. Reliable premises improve the usefulness of plans.

Step 3: (iii) Identifying alternative courses of action

- **Find the available ways:** Once objectives and premises are established, managers identify the various courses of action that could achieve the objectives. There may be several possible ways of reaching the same goal, so planning should not stop at the first apparent solution.
- **Consider feasible and innovative choices:** Managers examine the available courses, including new ideas generated through discussion and creativity. For example, higher sales might be pursued through increased promotion or entry into new markets. At this step the alternatives are identified; their detailed evaluation and the selection of the best course follow later in the planning process.

Step 4: Conclusion Setting objectives defines the results to be achieved; developing premises establishes the assumed future conditions; and identifying alternatives reveals the possible courses of action for achieving those results.

Quick Tip to Solve: Keep the sequence clear: decide the destination, state the future assumptions, and list possible routes before evaluating or selecting one.