CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/4/3

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. 'Cosy Garments' started the manufacturing of jackets in September, 2025. They expected a rise in the demand for jackets during the winter season. To handle the increased workload, the Production Manager estimated the number of workers required during peak production days and planned accordingly.

The type of plan highlighted in the above case is : [1 mark]

(A) Budget

(B) Policy

(C) Method

(D) Objective

Correct Answer: (A) Budget

Solution:

Concept:

- A budget expresses expected results in numerical terms; it can state physical quantities such as labour hours or workers as well as money.
- A numerical plan estimates the resources needed for a specified future period.

Step 1: Identify the numerical estimate The manager 'estimated the number of workers required during peak production days'. This quantifies the future labour requirement for seasonal production and therefore identifies a budget. A budget need not be restricted to an estimate of receipts and expenditure.

Step 2: Check the other plans A policy gives a general guide to decisions, rather than a numerical estimate. A method specifies the prescribed way of performing a task. An objective states the desired end to be achieved. None of these describes the numerical workforce estimate as directly as a budget.

Step 3: Conclusion The plan is a budget. Hence, the correct option is (A).

Quick Tip to Solve: When a plan states resources as a number, test budget even if no money is mentioned.

2. 'Agri Solutions', a fast-growing agri-tech company, was facing a problem of employees leaving the organisation frequently. As a result, work suffered and time and money were spent repeatedly on recruitment and training. On investigation, it was found that the problem was due to employees not getting sufficient time to settle into their new roles. So the company decided to keep their employees at the same position for a minimum tenure and give them sufficient time to show results. This led to a significant reduction in employee turnover and improvement in organisational efficiency.

The principle of management highlighted in the above case is : [1 mark]

(A) Order

(B) Stability of Personnel

(C) Division of Work

(D) Authority and Responsibility

Correct Answer: (B) Stability of Personnel

Solution:

Concept:

- Fayol's stability of personnel principle requires reasonable security of tenure so employees have time to settle into a job and become efficient.
- Frequent employee turnover raises recruitment and training costs and disrupts work.

Step 1: Connect the case to the principle The company keeps employees 'at the same position for a minimum tenure' and gives them 'sufficient time to show results'. Both statements express stability of personnel: employees need time to learn their roles and develop efficiency.

Step 2: Eliminate the alternatives Order concerns the proper place for people and materials. Division of work concerns specialisation through dividing tasks. Authority and responsibility concern the balance between the right to command and accountability. These do not explain the decision to reduce frequent changes of personnel.

Step 3: Conclusion The principle is stability of personnel. Hence, the correct option is (B).

Quick Tip to Solve: Look for reasonable tenure and time to settle into a role to identify stability of personnel.

3. Rohit is a manager at a furniture manufacturing company. The company holds an annual sale in the month of December, which is very popular. Rohit prepares the production plans for the annual sale well in advance, in the month of June every year. After planning, he ensures that enough workers are available and continuously monitors whether the work is progressing as scheduled or not. He also informs the marketing team well in time so that they can plan their promotional campaigns accordingly.

The feature of coordination highlighted in the above case is : [1 mark]

(A) Coordination is an all-pervasive function.

(B) Coordination is a continuous process.

(C) Coordination is a deliberate function.

(D) Coordination is the responsibility of all managers.

Correct Answer: (B) Coordination is a continuous process.

Solution:

Concept:

- Coordination is a continuous process: it starts with planning and continues through organising, staffing, directing and controlling.
- Managers integrate interdependent activities throughout the performance of management functions.

Step 1: Trace coordination through time Rohit starts with production plans in June, then ensures that workers are available and 'continuously monitors whether the work is progressing as scheduled or not'. He also keeps marketing informed. Coordination thus continues from preparation through execution rather than occurring once.

Step 2: Compare the remaining features All-pervasive refers to coordination being needed at every level and in every department. Deliberate refers to conscious managerial effort. Responsibility of all managers refers to who coordinates. Although these are valid features, the sequence from planning to continuous monitoring most directly highlights continuity.

Step 3: Conclusion Coordination is a continuous process. Hence, the correct option is (B).

Quick Tip to Solve: A case tracing planning, staffing and monitoring over time points to continuous coordination.

4. 'The first step in the controlling process is setting up of performance standards.'

Identify the correct order of the subsequent steps of the controlling process. [1 mark]

(A) Comparing actual performance with standards, Taking corrective action, Analysing deviations, Measurement of actual performance

(B) Measurement of actual performance, Comparing actual performance with standards, Analysing deviations, Taking corrective action

(C) Measurement of actual performance, Taking corrective action, Comparing actual performance with standards, Analysing deviations

(D) Analysing deviations, Measurement of actual performance, Comparing actual performance with standards, Taking corrective action

Correct Answer: (B) Measurement of actual performance, Comparing actual performance with standards, Analysing deviations, Taking corrective action

Solution:

Concept:

- Controlling compares actual performance with standards, examines significant deviations and takes corrective action.
- After standards are set, actual performance must be measured before comparison and analysis can occur.

Step 1: Put the subsequent steps in order First measure actual performance. Next compare the measured performance with the established standards. Then analyse deviations to identify their extent and causes. Finally take corrective action where necessary. Each step supplies information needed for the next one.

Step 2: Check each proposed sequence Option (B) follows this logical order. Option (A) attempts comparison before measuring actual performance. Option (C) takes corrective action before comparing and analysing the results. Option (D) analyses deviations before the measurement and comparison needed to identify them. These sequences are therefore incorrect.

Step 3: Conclusion Measurement, comparison, analysis of deviations, and corrective action is the correct order. Hence, the correct option is (B).

Quick Tip to Solve: Remember: measure first, compare next, analyse the gap, and then correct it.

5. Identify the incorrect statement with respect to the feature of Directing function of management : [1 mark]

(A) Directing is a continuous process

(B) Directing flows from top to bottom

(C) Directing takes place at top level of management only

(D) Directing initiates action

Correct Answer: (C) Directing takes place at top level of management only

Solution:

Concept:

- Directing initiates action by guiding, instructing, motivating and leading employees towards organisational objectives.
- Directing is performed at every level where a manager supervises subordinates; it is continuous and flows down the hierarchy.

Step 1: Identify the false restriction Option (C) incorrectly restricts directing to the top level. Middle-level managers direct departmental work, while supervisory managers guide workers in day-to-day operations. The function therefore takes place at every level of management, not only at the top.

Step 2: Verify the remaining statements Option (A) is true because employees require continuing guidance and motivation. Option (B) is true because a superior directs subordinates, so directing flows from top to bottom. Option (D) is true because directing converts plans into action by getting people to work. Since the question asks for the incorrect statement, these true statements are excluded.

Step 3: Conclusion The incorrect statement is that directing takes place at the top level only. Hence, the correct option is (C).

Quick Tip to Solve: Underline incorrect, then reject the statement that limits directing to the top level.

6. Choose the statement that correctly highlights the advantage of Divisional Structure : [1 mark]

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

(B) It helps in increasing managerial and operational efficiency, resulting in increased profit.

(C) It makes training of employees easier, as the focus is on a limited range of skills.

(D) It promotes control and coordination within a department because of similarity in the tasks being performed.

Correct Answer: (A) It facilitates expansion and growth, as new divisions can be added without interrupting the existing operations.

Solution:

Concept:

- A divisional structure groups activities around products; each division has the functions needed for its product.

- Separate product divisions make it possible to add new product lines without disrupting existing divisions.

Step 1: Identify the divisional advantage Option (A) describes expansion and growth: a new division can be added for a new product without interrupting the operations of existing divisions. This follows from the relative independence of product divisions and is a recognised advantage of divisional structure.

Step 2: Distinguish functional advantages Option (B), improved managerial and operational efficiency through functional specialisation, is an advantage of functional structure in this comparison. Option (C), easier training within a limited skill range, and option (D), easier control and coordination of similar departmental tasks, also describe functional structure. They do not identify the distinctive divisional advantage asked for.

Step 3: Conclusion Divisional structure facilitates expansion and growth by adding divisions. Hence, the correct option is (A).

Quick Tip to Solve: New products and independently added divisions signal the growth advantage of divisional structure.

7. 'Planning requires application of mind involving foresight, intelligence imagination and sound judgement.'

The feature of planning reflected by the above statement is : [1 mark]

(A) Planning is futuristic

(B) Planning involves decision-making

(C) Planning is a mental exercise

(D) Planning is continuous

Correct Answer: (C) Planning is a mental exercise

Solution:

Concept:

- Planning is a mental exercise requiring intellectual activity, foresight, imagination, intelligence and sound judgement.
- The mental-exercise feature emphasises thinking systematically before deciding what action should be taken.

Step 1: Use the words in the statement The words 'application of mind' together with 'intelligence imagination and sound judgement' directly emphasise the intellectual effort involved in planning. Managers must think, assess possibilities and develop suitable courses of action rather than rely on guesswork.

Step 2: Distinguish the other features Futuristic planning focuses on anticipating future events. Decision-making focuses on selecting from alternative courses of action. Continuity focuses on preparing fresh plans as conditions change or earlier plans end. These are valid features, but the quoted statement stresses the thinking process itself, so option (C) is the closest match.

Step 3: Conclusion Planning is a mental exercise. Hence, the correct option is (C).

Quick Tip to Solve: Match application of mind, imagination and judgement with planning as a mental exercise.

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

Assertion (A) : Motivation can be either positive or negative.

Reason (R) : Individuals are heterogeneous in their expectations, perceptions and reactions.

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

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

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

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

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

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

Solution:

Concept:

- Directing: motivation stimulates people to act towards organisational goals; it can use rewards or threats.
- Individuals differ in their needs and responses, making motivation a complex process.

Step 1: Judge the assertion The assertion is true. Positive motivation offers rewards such as appreciation or promotion. Negative motivation uses fear of an adverse consequence, such as a warning, to influence behaviour.

Step 2: Judge the reason The reason is also true. People are heterogeneous in expectations, perceptions and reactions, so the same incentive need not motivate everybody equally.

Step 3: Test the explanatory connection Differences among individuals explain the complexity of motivation, rather than its positive and negative forms. These forms depend on whether the manager uses an inducement or a threat. Thus (A) incorrectly links the statements; (C) incorrectly calls both false; and (D) incorrectly calls the reason false.

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

Quick Tip to Solve: Match the reason to the exact feature: heterogeneous individuals explain complexity, while rewards and threats explain positive and negative motivation.

9. Sharad was the Operations Manager at 'Nova Ltd.' He assigned the task of completing an urgent order to Anita, the Production Supervisor. She was given the authority to plan the work and meet the deadline. Anita further assigned the work to Rohit, a machine operator and asked him to finish it by the end of the day. Rohit did not complete the task on time, due to which the company failed to deliver the order. Who is accountable to Sharad for non-completion of the work ? [1 mark]

(A) Rohit

(B) Anita

(C) Both Rohit and Anita

(D) Sharad himself

Correct Answer: (B) Anita

Solution:

Concept:

- Organising: delegation assigns responsibility and grants authority while creating accountability.
- A subordinate remains answerable to the superior who assigned the task; accountability cannot be delegated away.

Step 1: Trace the original assignment Sharad assigned the urgent order to Anita and gave her authority to organise its completion. The words 'assigned the task ... to Anita' identify the person answerable to Sharad for performance.

Step 2: Apply accountability to the further assignment Anita could entrust work to Rohit, but this did not free her of accountability to Sharad. Rohit is answerable to Anita, so (A) names the wrong reporting relationship. (C) incorrectly treats both as directly accountable to Sharad for this delegation, and (D) confuses the delegating superior with the subordinate who must report to him.

Step 3: Conclusion Anita remains accountable to Sharad for non-completion of the work. Hence, the correct option is (B).

Quick Tip to Solve: Trace who received the task directly from the named superior; further delegation does not transfer that recipient's accountability.

10. Kabir purchased a luxury car for ₹ 2 crores from a well-known car dealer named 'Global Motors'. Within a few days, he found serious defects in the car. When he contacted 'Global Motors', they refused to repair or replace the car. Kabir then filed a case in the appropriate consumer court. However, he was not satisfied with the orders of this court. Where can Kabir file an appeal now ? [1 mark]

(A) District Commission

(B) State Commission

(C) National Commission

(D) Supreme Court

Correct Answer: (C) National Commission

Solution:

Concept:

- Consumer Protection: the three-tier redressal machinery consists of District, State and National Commissions.
- An appeal against an order of the State Commission lies before the National Commission.

Step 1: Locate the original complaint The car was purchased for Rs 2 crores. The appropriate original forum at this value is the State Commission. Identify this original level before choosing the forum for an appeal; the question asks where Kabir goes after receiving its order.

Step 2: Move to the appellate level The next forum for an appeal from the State Commission is the National Commission. (A), the District Commission, is a lower forum; (B), the State Commission, is the original forum here, not the next appellate level. (D), the Supreme Court, is the appellate forum for an order of the National Commission and is therefore one stage too far for this case.

Step 3: Conclusion Kabir can appeal to the National Commission. Hence, the correct option is (C).

Quick Tip to Solve: Separate the original complaint forum from the appeal forum: identify State first, then move one level up to National.

11. _____ refers to the entrustment of responsibility and authority to another and the creation of accountability for performance. [1 mark]

(A) Delegation

(B) Decentralisation

(C) Organising

(D) Formal Organisation

Correct Answer: (A) Delegation

Solution:

Concept:

- Organising: delegation entrusts responsibility and authority to another and creates accountability for performance.
- Its three elements are authority, responsibility and accountability.

Step 1: Recognise the defining elements The statement combines entrusting a duty, giving the power to perform it, and holding the recipient answerable for results. Together these describe delegation from a superior to a subordinate.

Step 2: Compare the other organisational concepts Decentralisation, (B), is systematic dispersal of authority throughout levels of an organisation. Organising, (C), is the wider management function of arranging work and resources. Formal organisation, (D), is the deliberately established structure of jobs and relationships. None is the specific superior-subordinate process defined in the question.

Step 3: Conclusion The term is delegation. Hence, the correct option is (A).

Quick Tip to Solve: Look for the three elements together: responsibility plus authority plus accountability identifies delegation.

12. 'The business environment differs from country to country and even region to region.'
The feature of business environment reflected in the above statement is : [1 mark]

(A) Relativity

(B) Complexity

(C) Uncertainty

(D) Dynamic nature

Correct Answer: (A) Relativity

Solution:

Concept:

- Business Environment: relativity means that the environment differs across countries and regions.
- Its other features include complexity, uncertainty and dynamic nature, each indicating a different aspect.

Step 1: Identify the comparison being made The words 'differs from country to country and even region to region' compare environments in different places. Different social, economic, political and other conditions make the business environment relative to its location.

Step 2: Eliminate features that address other issues Complexity, (B), means the environment consists of many interrelated forces that are difficult to understand separately. Uncertainty, (C), concerns the difficulty of predicting future events. Dynamic nature, (D), concerns continuous change over time. The statement instead stresses geographical differences, which directly indicate relativity.

Step 3: Conclusion The feature is relativity. Hence, the correct option is (A).

Quick Tip to Solve: Place-to-place differences indicate relativity; changes over time indicate dynamic nature.

13. The pouch depicted below contains packets of different flavours of chips.
Identify the level of packaging of the pouch : [1 mark]



(A) Primary
(B) Secondary
(C) Transportation
(D) General

Correct Answer: (B) Secondary

Solution:

Concept:

- Marketing Management: primary packaging is the immediate container of a product.
- Secondary packaging is the additional layer around primary packages; transportation packaging supports storage, identification and transport.

Step 1: Identify the packaging layer asked about The question asks about the outer 'pouch', which contains already packed chips of different flavours. Each individual chips packet is the immediate package of the food; the larger pouch is an additional layer around these packets.

Step 2: Distinguish the alternative levels Thus the pouch is secondary packaging. (A), primary packaging, describes the individual chips packets rather than the pouch. (C), transportation packaging, refers to further bulk packaging used for storage and transport, such as a corrugated shipping box. (D), general, is not a standard level of packaging in this classification. Merely grouping packets does not make the displayed retail pouch a transport container.

Step 3: Conclusion The outer pouch is secondary packaging. Hence, the correct option is (B).

Quick Tip to Solve: Identify what directly touches or contains the product first; an extra retail layer around those packets is secondary packaging.

*Note: The following question is for the **Visually Impaired Candidates** only in lieu of Q. No. 13.*

13. 'It involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public.'

The promotion tool being referred to in the above statement is : [1 mark]

(A) Advertising

(B) Personal Selling

(C) Sales Promotion

(D) Public Relations

Correct Answer: (D) Public Relations

Solution:

Concept:

- Marketing Management: public relations covers programmes designed to promote or protect a company's image and the image of its products in the eyes of the public.
- Promotion tools differ in purpose: advertising communicates paid messages, personal selling involves personal interaction, and sales promotion provides short-term incentives.

Step 1: Identify the defining purpose The words 'promote or protect a company's image and its individual products in the eyes of the public' identify public relations. The emphasis is on favourable public opinion and the reputation of the company and its products. Public relations uses a variety of programmes to develop and maintain this favourable image.

Step 2: Check the other promotion tools (A) Advertising is paid, non-personal presentation and promotion by an identified sponsor; this defining feature is absent here. (B) Personal selling involves personal interaction with prospective buyers to make sales, which the statement does not describe. (C) Sales promotion uses short-term incentives, such as discounts or coupons, to encourage purchases; no such incentive is mentioned. (D) Public Relations directly matches the stated image-building and image-protection purpose.

Step 3: Conclusion The promotion tool is Public Relations. Hence, the correct option is (D).

Quick Tip to Solve: Link programmes to protect a company's public image with public relations; link short-term purchase incentives with sales promotion.

14. Match the incentives given in Column I with their meanings given in Column II.

Column I	Column II
1. Job Security	(i) Involving employees in decision-making of the issues related to them
2. Job Enrichment	(ii) Providing opportunities to employees to improve their skills and be promoted to higher level jobs
3. Career Advancement Opportunity	(iii) Stability about future income and work
4. Employee Participation	(iv) Designing jobs that include greater variety of work content and higher levels of knowledge and skill

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

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

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

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

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

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

Solution:

Concept:

- Directing: non-financial incentives satisfy psychological, social and esteem needs.
- Job security, job enrichment, career advancement opportunity and employee participation motivate through different aspects of work.

Step 1: Match security and enrichment Job security means stability of future income and work, so 1 matches (iii). Job enrichment designs jobs with greater variety and higher levels of knowledge and skill, so 2 matches (iv). Enrichment concerns job content rather than participation in decisions.

Step 2: Match advancement and participation and test the codes Career advancement opportunity provides scope to improve skills and move to higher level jobs, so 3 matches (ii). Employee participation involves employees in decisions on matters related to them, so 4 matches (i). (B) swaps enrichment and participation; (C) swaps security and enrichment; (D) incorrectly matches every listed incentive. Only (A) preserves all four meanings.

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

Quick Tip to Solve: Use the distinctive words: stability means security, richer content means enrichment, promotion means advancement, and decisions mean participation.

15. Read the following statements carefully :

Statement I : Planning and controlling are both forward-looking as well as backward-looking.

Statement II : Planning is evaluative, whereas controlling is prescriptive.

In the 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:

- Controlling: relationship between planning and controlling; planning sets standards and controlling evaluates performance.
- Both functions use past experience and guide future action.

Step 1: Judge Statement I Statement I is true. Planning looks ahead by deciding future actions, but also uses past experience. Controlling looks back by comparing actual performance with standards, but corrective action improves future performance. Thus, neither function is exclusively forward-looking or backward-looking.

Step 2: Judge Statement II and eliminate alternatives Statement II is false because the descriptions have been reversed. Planning is prescriptive: it states what should be done. Controlling is evaluative: it judges what has actually been achieved. Option (B) reverses both truth values; (C) incorrectly accepts Statement II; (D) incorrectly rejects Statement I.

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

Quick Tip to Solve: Use prescriptive for planning and evaluative for controlling; both functions connect past experience with future action.

16. Dinkar, the General Manager at 'Tara Lamps' noticed that rising costs were affecting the company's profits. To increase the profits, he decided to reduce the costs and increase the productivity. He planned for rearrangement of work processes, assigned the tasks according to workers' skills, gave clearer directions to employees than before and regularly controlled the activities of the organisation. This not only resulted in cost reduction but also in increased productivity and profits.

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

(A) Management creates a dynamic organisation

(B) Management helps in achieving personal objectives

(C) Management helps in the development of a society

(D) Management increases efficiency

Correct Answer: (D) Management increases efficiency

Solution:

Concept:

- Nature and Significance of Management: management increases efficiency by reducing costs and raising productivity.
- Efficiency means performing a task with minimum cost and optimum use of resources.

Step 1: Link the case to efficiency The case says Dinkar decided to 'reduce the costs and increase the productivity'. Rearranging processes, matching work to skills and giving clear directions improve resource use. The resulting 'cost reduction' and 'increased productivity and profits' directly show that management increases efficiency.

Step 2: Check the other options Option (A) concerns adapting to environmental change, which is not the central issue here. Option (B) concerns employees achieving personal objectives, which the case does not describe. Option (C) concerns contribution to society, whereas this case focuses on internal costs and productivity.

Step 3: Conclusion The importance highlighted is that management increases efficiency. Hence, the correct option is (D).

Quick Tip to Solve: When a case pairs lower costs with higher productivity, identify management increases efficiency.

17. Read the following statements carefully :

Statement I : The production concept assumes that the customers will not buy, or not buy enough, unless they are adequately convinced and motivated to do so.

Statement II : The selling concept assumes that the consumers will favour those products which are widely available at an affordable price.

In the 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 false.

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

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

Solution:

Concept:

- Marketing Management: production and selling concepts are different marketing management philosophies.
- The production concept stresses availability and affordability; the selling concept stresses persuasion and promotional effort.

Step 1: Test Statement I Statement I is false. The belief that buyers must be convinced and motivated to buy enough is the selling concept. It calls for aggressive selling and promotion to persuade customers, rather than relying only on making products widely available.

Step 2: Test Statement II and the options Statement II is also false. Widely available products at an affordable price describe the production concept, which focuses on production and distribution efficiency. These definitions have been interchanged. Option (A) wrongly accepts Statement I; (B) wrongly accepts Statement II; (D) wrongly accepts both.

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

Quick Tip to Solve: Associate production with availability and low price, and selling with convincing customers through promotion.

18. 'The larger the lead time, the larger the quantity of material to be stored, and the larger shall be the amount of working capital required.'

The factor affecting the requirement of working capital discussed in the above statement is : [1 mark]

(A) Operating efficiency

(B) Inflation

(C) Availability of raw material

(D) Production cycle

Correct Answer: (C) Availability of raw material

Solution:

Concept:

- Financial Management: availability of raw material affects working capital requirements.
- Lead time is the time between placing an order for raw material and receiving it.

Step 1: Identify the supply-related clue The statement refers to 'the larger the lead time' and 'the larger the quantity of material to be stored'. If supplies take longer to arrive, the firm must hold a larger stock to maintain uninterrupted production. More funds are therefore tied up in raw-material inventory.

Step 2: Distinguish the other factors This is the availability of raw material factor. Option (A), operating efficiency, concerns how effectively operations and the cash cycle are managed. Option (B), inflation, concerns rising input prices. Option (D), production cycle, concerns the duration of converting raw materials into finished goods, rather than the waiting time for supplies.

Step 3: Conclusion The factor is availability of raw material. Hence, the correct option is (C).

Quick Tip to Solve: Separate supplier lead time from production time: waiting for raw material points to its availability.

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

Assertion (A) : The cost of debt is higher than the cost of equity for a firm.

Reason (R) : The lender's risk is lower than the equity shareholder's risk, since the lender earns an assured return and repayment of capital.

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

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

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

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

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

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

Solution:

Concept:

- Financial Management: financing decisions compare the cost and risk of debt and equity.
- Lenders receive a contractual return and have a prior claim; equity shareholders bear residual risk.

Step 1: Judge the assertion Assertion (A) is false. In the standard financial-management comparison, debt costs less than equity. Lenders bear lower risk and therefore accept a lower return. Interest also provides a tax benefit to the firm, further reducing the effective cost of debt.

Step 2: Judge the reason Reason (R) is true. The lender has an assured contractual interest payment and repayment claim, while the equity shareholder's dividend and return of capital depend on residual earnings and assets. Therefore, equity shareholders face greater risk than lenders.

Step 3: Examine the explanatory relationship and options The reason supports the lower cost of debt, the opposite of the assertion. Options (A) and (B) fail because each treats the assertion as true. Option (C) fails because it also treats the assertion as true and wrongly rejects the reason.

Step 4: Conclusion The assertion is false, but the reason is true. Hence, the correct option is (D).

Quick Tip to Solve: Lower lender risk implies a lower required return; use that direction before judging a cost-of-debt assertion.

20. Identify the incorrect statement with respect to the importance of business environment : [1 mark]

(A) It helps in coping with rapid changes

(B) It helps in tapping useful resources

(C) It helps in assisting in planning and policy formulation

(D) It helps in increasing political instability and thus build the confidence of people to invest in long term projects

Correct Answer: (D) It helps in increasing political instability and thus build the confidence of people to invest in long term projects

Solution:

Concept:

- Business Environment: understanding the environment helps firms respond to changes, obtain resources and plan policies.
- Political stability encourages confidence in long-term investment.

Step 1: Identify the incorrect claim Option (D) says that understanding the business environment helps in 'increasing political instability' and thereby builds investment confidence. Political instability increases uncertainty and discourages long-term investment; it does not build such confidence. The statement is therefore incorrect.

Step 2: Verify the remaining statements Option (A) is correct because environmental awareness helps a firm cope with rapid changes. Option (B) is correct because it identifies useful resources and how to obtain them. Option (C) is correct because knowledge of opportunities, threats and external conditions supplies a basis for planning and policy formulation. These are recognised benefits of understanding the environment.

Step 3: Conclusion The incorrect statement is the one about increasing political instability. Hence, the correct option is (D).

Quick Tip to Solve: Notice the word incorrect: political instability raises uncertainty and cannot be presented as building investor confidence.

21. 'Tiva Motors' planned to set up a new manufacturing unit for the electric scooters in Varanchal. One important consideration for setting up of the unit in Varanchal was that the government in Varanchal had been stable for several years. This had built confidence among business people to invest in long-term projects there. They understood that an adequate knowledge of the rules and regulations framed by the government is a prerequisite for a good business performance. So, before starting the operations, the company decided to obtain licences under environmental laws and necessary permissions from the government departments.

Identify and explain the two dimensions of business environment that are highlighted in the above case. [3 marks]

Solution:

Concept:

- Business Environment: political environment and legal environment are distinct dimensions of the external environment.
- Political stability affects business confidence, while laws and regulations establish the framework within which enterprises must operate.

Step 1: Political environment **Political environment:** This includes political conditions such as peace and stability, the attitude of the elected government towards business and the general climate created by political institutions. Political stability gives business people confidence to commit funds to long-term projects, whereas instability creates uncertainty about future decisions. The case states that "the government in Varanchal had been stable for several years" and that this had built confidence to invest in long-term projects. Thus, the stable government that encouraged Tiva Motors to establish its manufacturing unit represents the political environment.

Step 2: Legal environment **Legal environment:** This includes the laws passed by the government, administrative orders of government authorities and court judgments that regulate business activities. Businesses must understand and comply with the applicable legal requirements to operate successfully. In the case, the company decided to "obtain licences under environmental laws and necessary permissions from the government departments". These legal requirements, and the need to know the rules and regulations before starting operations, identify the legal environment.

Step 3: Conclusion The two dimensions are the political environment, shown by stable government and investor confidence, and the legal environment, shown by environmental licences and required permissions.

Quick Tip to Solve: Connect stability and confidence to political conditions; connect laws, licences and permissions to the legal environment.

22. 'Delicious Salads' was a company that supplied packaged salads to the supermarkets. Recently, the management noticed that a large amount of vegetables were getting spoiled every week. This was increasing the costs and reducing the profits because of which the company was not able to achieve its goals. To solve this, the Production Manager, Meera was asked to take charge of the situation and bring the wastage under control. Meera found that the vegetable cleaning, cutting and packing departments were working at their own pace, leading to the spoilage of vegetables.

Meera started out by setting standards for each of the departments, which were well coordinated with one another. Each activity would be performed in accordance with those standards. Within a month, 'Delicious Salads' was able to supply the salads with minimum wastage and achieve its goals.

Explain the two points of importance of the controlling function of management discussed in the above case. [3 marks]

Solution:

Concept:

- Controlling: importance of controlling in accomplishing organisational goals and facilitating coordination in action.
- Control directs activities towards predetermined standards so that individual departments contribute to the common organisational objective.

Step 1: Accomplishing organisational goals **Accomplishing organisational goals:** Controlling measures progress towards organisational goals, brings deviations to light and indicates corrective action. It helps ensure that activities are performed according to plans and that the organisation moves towards its objectives. Initially, vegetable spoilage was increasing costs and reducing profits, so the company could not achieve its goals. Meera introduced standards to bring wastage under control. The outcome that the company could "supply the salads with minimum wastage and achieve its goals" shows this importance of controlling. The reduction in wastage supports the achievement of the company's intended results.

Step 2: Facilitating coordination in action **Facilitating coordination in action:** Controlling provides direction to the activities and efforts of different departments. Each department and employee is governed by predetermined standards which are coordinated with one another. This gives unity of direction and ensures that organisational objectives are accomplished. Earlier, cleaning, cutting and packing departments were "working at their own pace". Meera then set standards for each department which were "well coordinated with one another". Requiring each activity to follow these standards aligned the successive operations, so vegetables could move through the departments without the earlier lack of coordination.

Step 3: Conclusion Controlling helped Delicious Salads accomplish organisational goals and facilitated coordination in action among its cleaning, cutting and packing departments.

Quick Tip to Solve: Use the final achievement of goals for the first point and the coordinated departmental standards for the second.

23(a). State any three points of difference between Formal organisation and Informal organisation.

[3 marks]

Solution:

Concept:

- Organising: formal organisation is a deliberately designed structure of authority and responsibility.
- Informal organisation is a network of social relationships arising spontaneously from interaction among employees.

Step 1: Identify the two types of organisation Formal organisation specifies official jobs, reporting relationships and responsibilities to achieve organisational objectives. Informal organisation develops as people interact, form friendships and share interests. The following three bases show how their origin, authority and communication differ.

Step 2: Three points of difference

Basis	Formal organisation	Informal organisation
Origin	It is deliberately created by management through the organising process to carry out organisational work.	It arises spontaneously from social interaction among employees; management does not deliberately create it.
Authority	Authority arises from the position a person occupies in the management structure. An official superior exercises authority attached to the post.	Influence arises from personal qualities, acceptance and relationships within the group, rather than an officially assigned position.
Flow of communication	Communication follows prescribed official channels, such as the scalar chain and established reporting relationships.	Communication has no prescribed route and can flow in any direction through social contacts, often called the grapevine.

Step 3: Conclusion Formal and informal organisations differ in origin, the source of authority or influence, and the flow of communication. Both can exist simultaneously within the same enterprise.

Quick Tip to Solve: Compare both organisations on the same basis in each row: creation, source of authority, and communication route.

OR

23(b). State any three points of difference between Divisional structure and Functional structure of an organisation.

[3 marks]

Solution:

Concept:

- Organising: a functional structure groups activities by functions such as production, finance and marketing.
- Organising: a divisional structure groups activities by products or product lines, with functions within each division.

Step 1: Choose comparable bases The two structures can be compared on formation, responsibility

for profit and cost. In a functional structure, similar specialised tasks are brought together. In a divisional structure, activities relating to each product are brought together, creating a relatively self-contained unit.

Step 2: State three differences

Basis	Divisional structure	Functional structure
Formation	Activities are grouped on the basis of products; each division handles a product or product line.	Activities are grouped on the basis of functions such as production, finance and marketing.
Responsibility	Responsibility for a division's profit can be fixed on its divisional head.	Responsibility for profit is difficult to fix on a particular functional department.
Cost	Duplication of resources and functions across divisions increases cost.	Functional resources are used jointly, avoiding unnecessary duplication and making operations economical.

Step 3: Conclusion Divisional and functional structures differ in their basis of formation, fixation of profit responsibility and cost of operations.

Quick Tip to Solve: Use identical bases in both columns: product versus function, divisional profit responsibility, and duplication of resources.

24(a). State any three points of difference between Primary Market and Secondary Market. [3 marks]

Solution:

Concept:

- Financial Markets: the primary market deals in new securities issued to raise capital.
- Financial Markets: the secondary market deals in the purchase and sale of existing securities and provides liquidity to investors.

Step 1: Identify the nature of the two markets A primary-market transaction brings a new security into the hands of an investor and raises funds for the issuing company. A secondary-market transaction transfers an already issued security from one investor to another. The following distinctions follow from this basic difference.

Step 2: State three differences

Basis	Primary market	Secondary market
Securities dealt in	Deals in new securities issued for the first time or through a fresh issue. It is the new issue market.	Deals in the purchase and sale of existing securities that have already been issued.
Parties involved	Securities are sold by the issuing company to investors, directly or through intermediaries.	Securities are bought and sold between investors; the issuing company is not a party to the trade.
Flow of funds	Funds flow from investors to the company and directly finance its capital requirements.	Funds pass from the buyer to the selling investor; the company receives no fresh funds from that trade.

Step 3: Conclusion The primary market raises fresh capital for companies, while the secondary

market enables investors to trade existing securities.

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

OR

24(b). State how the following factors affect the requirements of working capital of a company :

(i) Seasonal factors

(ii) Production cycle

(iii) Inflation [3 marks]

Solution:

Concept:

- Financial Management: working capital is needed to finance day-to-day operations through current assets such as inventories and receivables.
- The amount required depends on operating activity, the time funds remain blocked in production and the prices of inputs.

Step 1: Explain seasonal factors **Seasonal factors:** During the peak season, a company needs more working capital because production and sales are higher. It must hold more raw materials and finished goods and may finance greater credit sales. During the lean season, business activity falls, so the requirement of working capital is lower.

Step 2: Explain the production cycle **Production cycle:** A longer production cycle increases the requirement of working capital because funds remain blocked in raw materials and work in progress for a longer period before finished goods are ready for sale. A shorter production cycle releases funds sooner and therefore requires less working capital.

Step 3: Explain inflation **Inflation:** With inflation, prices of raw materials and other inputs rise. A company consequently needs a larger amount of working capital to maintain the same physical level of inventory and operations. The precise increase depends on the rates at which the prices of its various inputs rise; it need not be identical for every company.

Step 4: Conclusion Working capital requirements rise during the peak season, with a longer production cycle, and generally when input prices rise due to inflation.

Quick Tip to Solve: For each factor, link the direction of change to either the level of operations, the time funds are blocked, or the cost of inputs.

25(a). Explain the following features of the principles of management :

(i) Universal applicability

(ii) General guidelines [4 marks]

Solution:

Concept:

- Principles of Management: universal applicability and general guidelines are features of management principles.
- Management principles provide broad guidance for managerial decisions; their application requires judgement in the circumstances of each organisation.

Step 1: (i) Universal applicability **Meaning:** Management principles can be applied to all types of organisations, whether business or non-business, small or large, public or private. They are also relevant at all levels of management because managers everywhere plan, organise, staff, direct and control activities to achieve objectives.

Extent of application: Their applicability varies with the nature of the organisation, the nature of its business and the scale of operations. Thus, universal applicability means that the principles are relevant everywhere; managers must adapt their use to the particular situation. For example, division of work can improve efficiency in both a factory and a hospital, although the tasks and the way duties are divided will differ.

Step 2: (ii) General guidelines **Meaning:** Management principles guide action but do not provide readymade, straitjacket solutions to every managerial problem. Real business situations are complex and dynamic, and involve people whose behaviour cannot always be predicted precisely.

Use in decisions: Managers must consider the facts and conditions of the particular problem and exercise discretion when applying a principle. For example, fair remuneration gives a broad direction for wage decisions, but the actual remuneration will depend on factors such as the organisation's ability to pay and prevailing wage rates. A principle therefore helps a manager choose an appropriate course of action without prescribing an identical decision in every case.

Step 3: Conclusion Universal applicability means that management principles are relevant across organisations and managerial levels, with their application varying by context. General guidelines means that they offer broad direction which managers apply using judgement.

Quick Tip to Solve: For each feature, state its meaning and then explain its practical qualification: relevance everywhere does not mean identical application, and guidance still requires managerial judgement.

OR

25(b). Explain the following techniques of Scientific Management :

(i) Time Study

(ii) Method Study [4 marks]

Solution:

Concept:

- Principles of Management: Taylor's time study establishes the standard time required for a well-defined job.
- Method study identifies the best way of doing a job so that resources are used efficiently and production costs are minimised.

Step 1: (i) Time Study **Meaning:** Time study determines the standard time needed to perform a well-defined job. Time-measuring devices are used to record the time taken for each element of the task. Several observations are made, and a standard time is fixed for the whole task on that basis.

Purpose and use: It helps determine the number of workers required, devise suitable incentive schemes and determine labour costs. For example, once the standard time for completing one unit is established, management can assess the workforce required to meet a specified production target. The focus of this technique is how long the work should take under the prescribed conditions, rather than simply accepting the time a particular worker happens to take.

Step 2: (ii) Method Study **Meaning:** Method study seeks the one best way of doing a job. It examines activities from the procurement of raw materials up to delivery of the final product to the customer. Managers study alternative methods of carrying out the work and select the most suitable one.

Purpose and use: Its objective is to minimise the cost of production and maximise quality and customer satisfaction. It may lead to changes in the layout of machines, handling of materials or sequence of operations. The assembly-line approach used by the Ford Motor Company is an example of selecting an efficient method of production. By arranging work in the best sequence and reducing unnecessary handling, an organisation can make its production process more efficient. Thus, method study determines how the task should be performed.

Step 3: Conclusion Time study fixes the standard time for a job and supports workforce, incentive and labour-cost decisions. Method study selects the best method of performing the job to reduce production costs and improve quality and customer satisfaction.

Quick Tip to Solve: Remember the distinct focus: time study asks how long a well-defined job should take, while method study asks which way of doing that job is best.

26. State any four remedies available to the consumer under the provisions of the Consumer Protection Act, 2019. [4 marks]

Solution:

Concept:

- Consumer Protection: Remedies available under the Consumer Protection Act, 2019 through the consumer disputes redressal machinery.
- When a complaint is found justified, the appropriate Consumer Commission can order relief to remedy a defect or deficiency and protect the consumer's interests.

Step 1: Remedies relating to the goods Any four remedies may be stated. The following are four recognised remedies:

- **Removal of defects:** The Consumer Commission may direct the opposite party to remove the defect in the goods complained against. This requires the defective product to be put into the condition that the consumer was entitled to receive.
- **Replacement of goods:** It may order replacement of the defective goods with new goods of a similar description which are free from any defect. Thus, the consumer receives a defect-free substitute for the faulty product.

Step 2: Remedies relating to money and loss suffered

- **Refund of the price:** The Commission may direct the seller to return the price paid by the consumer for the goods, or the charges paid for the services. This restores the amount that the consumer spent on the unsatisfactory purchase or service.
- **Compensation for loss or injury:** It may direct payment of a reasonable amount of compensation for loss or injury suffered by the consumer due to the negligence of the opposite party. This relief addresses the harm suffered by the consumer, rather than merely replacing the product or returning its price.

Step 3: Conclusion Four remedies are removal of defects, replacement with defect-free goods, refund of the price or charges paid, and reasonable compensation for loss or injury suffered.

Quick Tip to Solve: State the relief the Commission can order: repair, replacement, refund and compensation are four distinct remedies.

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27. 'Sabka Consumer Forum', a well-known non-governmental organisation (NGO), has been working for the welfare of the consumers. Its main aim is to educate the general public about consumer rights by organising training programmes, seminars and workshops.

Seeing the growing need for awareness, the NGO started publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of consumer interest. These publications became very popular and people began approaching the NGO for guidance.

One day, a group of residents from a nearby housing society approached 'Sabka Consumer Forum'. They had purchased water purifiers from a company, which turned out to be defective. Even after repeated complaints, the company had failed to respond. 'Sabka Consumer Forum' studied the case and decided to file a complaint on behalf of the consumers in the appropriate consumer court.

Apart from the functions mentioned in the above case, state any four other functions which may be performed by 'Sabka Consumer Forum' for protecting and promoting consumer interests. [4 marks]

Solution:

Concept:

- Consumer Protection: Role of consumer organisations and non-governmental organisations in protecting and promoting consumer interests.
- Consumer organisations undertake independent product testing, oppose exploitation, provide legal assistance and strengthen the consumer movement, besides education, publications and filing complaints.

Step 1: Identify the functions already mentioned The case already describes consumer education through "training programmes, seminars and workshops", publication of "periodicals and other publications", and filing "a complaint on behalf of the consumers". Since the question asks for other functions, these activities should not be repeated as the answer.

Step 2: State four other functions

- **Comparative testing of consumer products:** The NGO may test different products in accredited laboratories to judge their relative quality. It can release the results for consumers' benefit, helping them compare brands and make informed purchasing decisions.
- **Protesting against exploitation:** It may protest against unscrupulous, exploitative and unfair trade practices of sellers. Such collective action draws attention to business practices that harm consumers and presses for their correction.
- **Providing legal assistance:** It may provide legal assistance to consumers by giving legal advice and related support when they seek redressal. This helps consumers understand and pursue the legal remedies available to them; it is distinct from the NGO itself filing the complaint, which is already mentioned in the case.
- **Encouraging consumer organisations:** It may encourage consumers to take on an active role in protecting their interests by forming consumer organisations and joining the consumer movement. Organised participation strengthens their collective ability to resist exploitation.

Step 3: Conclusion The four other functions are comparative product testing, protesting against exploitative trade practices, providing legal assistance and encouraging consumers to form organisations and join the consumer movement.

Quick Tip to Solve: First cross out the NGO functions already stated in the case, then select four remaining NCERT functions.

28. Rhea runs an online business selling handmade candles. During the Diwali season, the demand for her handmade scented candles increases a lot. A month before Diwali, she received a big order from a chain of gift stores in and around the city. Rhea immediately checked the order details and processed it. She was aware that it was important to provide for accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in the wrong quantity or specifications. After processing the order, Rhea arranged a vehicle to pick up the cartons from her workshop. She knew that the products can reach the customers only when they are physically moved from the place of production to the place of sale. The vehicle delivered the order at the gift chain's warehouse well before the festive rush.

(a) Identify the two components of physical distribution that Rhea managed effectively.

(b) Explain the other two components of physical distribution that Rhea needs to work on. [4 marks]

Solution:

Concept:

- Marketing Management: Physical distribution involves the physical handling and movement of goods from production to consumption. Its main components are order processing, transportation, warehousing and inventory control.
- Efficient distribution makes the right goods available at the right place and time, while balancing customer service against distribution costs.

Step 1: (a) Identify order processing **Order processing:** Rhea managed this component effectively. The evidence is that she "immediately checked the order details and processed it" and understood the need for "accurate and speedy processing of orders". Order processing covers receiving, checking and executing customers' orders. Accuracy ensures that the specified type and quantity of candles are supplied; speed prevents delays that could make customers turn to competitors.

Step 2: (a) Identify transportation **Transportation:** This is the physical movement of goods from the place of production to the place where they are required for sale. Rhea "arranged a vehicle to pick up the cartons from her workshop", recognising that products must be "physically moved from the place of production to the place of sale". The vehicle's timely delivery to the gift chain's warehouse shows effective transportation.

Step 3: (b) Explain warehousing **Warehousing:** It refers to storing goods and preserving their value and usefulness until they are required for sale. Production and consumption do not always occur at the same time, so storage creates time utility and ensures availability when customers need the product. Rhea needs to decide the number, location and capacity of storage facilities and arrange suitable storage for candles awaiting dispatch. Warehouses closer to customers can speed delivery, but additional warehouses also increase storage costs.

Step 4: (b) Explain inventory control **Inventory control:** It means deciding and maintaining an appropriate level of stock to meet demand without excessive investment in inventory. Too little stock can lead to lost sales and dissatisfied customers, whereas too much stock raises storage costs and ties up funds. Rhea should plan the stock of candles in view of seasonal demand, the time needed to replenish stock and the service level she wishes to provide, so that festive orders can be met economically.

Step 5: Conclusion (a) The two components managed effectively are **order processing and trans-**

portation. (b) The other components are **warehousing and inventory control**.

Quick Tip to Solve: Link checking order details to order processing and the vehicle to transportation; then explain the remaining components, storage and stock control.

29. 'Neo Appliances Ltd.', a company known for its innovative kitchen devices was established in 2001. Over the years, the company performed well and the market value of its shares increased. Rajan had bought shares of 'Neo Appliances Ltd.' many years ago. He sold some of the shares to arrange money for his daughter's higher education. He shared with his friend Madhur how his investment had multiplied over the years. Madhur was impressed and wanted to start investing in shares. He asked Rajan in which market he had sold his shares and whether it was safe to invest in that market. Rajan said, yes this market provides safety of transactions to investors.

(a) Name the market in which Rajan sold his shares.

(b) Identify and explain the function of the above market which facilitated Rajan in selling his shares.

(c) Explain how the market identified in (a) above provides safety of transactions to investors.

[4 marks]

Solution:

Concept:

- Financial Markets: The secondary market, or stock exchange, provides a platform for buying and selling existing securities. Investors can transfer their investments to other investors through this market.
- Two relevant stock exchange functions are providing liquidity and marketability to existing securities and ensuring safety of transactions through a regulated trading mechanism.

Step 1: (a) Name the market **Secondary market or stock exchange:** Rajan sold shares that he had purchased many years earlier. The case states, "He sold some of the shares to arrange money for his daughter's higher education". This is a sale of existing securities by one investor to another, which takes place in the secondary market. The company does not issue new shares in this transaction; the sale proceeds go to Rajan, the selling investor.

Step 2: (b) Identify and explain the facilitating function **Providing liquidity and marketability to existing securities:** This function enabled Rajan to sell his shares and obtain money when he needed it. A stock exchange provides a continuous market in which existing securities can be bought and sold. It gives investors a ready platform to disinvest and reinvest, allowing them to convert their holdings into cash without waiting for the company to return their investment. Thus Rajan could use the proceeds for his daughter's higher education. His statement that his investment had multiplied describes its appreciation over time; the function that actually facilitated the sale is liquidity and marketability.

Step 3: (c) Explain safety of transactions **Safety of transactions:** The stock exchange provides a regulated market. Its membership is regulated, and dealings take place within the legal framework established for securities transactions. Trading is conducted according to the exchange's rules and the regulatory framework, which helps ensure fair dealing and protects investors' interests.

Investor protection: The exchange lists securities after applying prescribed requirements and monitors compliance with its rules. Together with regulated membership and trading procedures, this reduces the scope for fraudulent practices and supports confidence in transactions. This is the basis of Rajan's statement that "this market provides safety of transactions to investors". Safety of the trading mechanism does not promise a fixed return or prevent share prices from falling; Madhur must still consider investment risk.

Step 4: Conclusion (a) Rajan sold his shares in the **secondary market or stock exchange**. (b) The relevant function is **providing liquidity and marketability to existing securities**. (c) Regulated membership and dealings within an established legal framework provide **safety of transactions**.

Quick Tip to Solve: When an investor sells shares already held, identify the secondary market; connect conversion into cash with liquidity and legal regulation with transaction safety.

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30. Arjun and Neha were close friends. They had studied together in the same school. After completing their higher education, both of them joined a company named 'Apex Ltd.' in different roles, based on their qualifications. Arjun's role involved analysing the business environment and its implications for the survival of the firm. He was also responsible for the welfare and survival of the organisation. Neha, on the other hand, was heading the marketing department in the organisation. Her responsibility was to ensure that her department had the necessary personnel. In addition to many other responsibilities, she had to motivate them to achieve desired objectives.

Apart from the functions mentioned in the above case, state two more functions each for Arjun and Neha that they would perform at the level at which they are working. [4 marks]

Solution:

Concept:

- Levels of Management: top management is responsible for the organisation as a whole, while middle management translates top management's plans into departmental action.
- Functions already described in the case must be excluded when stating two additional functions at each level.

Step 1: Identify Arjun's level and state two additional functions Arjun works at the **top level of management**. The statements that he analyses "the business environment and its implications for the survival of the firm" and is responsible for "the welfare and survival of the organisation" identify this level. Apart from these functions, he would perform the following:

- **Formulating overall organisational goals and strategies:** He would decide the broad objectives of Apex Ltd. and formulate strategies for attaining them. These decisions give direction to the activities of the entire company.
- **Coordinating the activities of different departments:** He would integrate the work of the marketing, production, finance and other departments so that their efforts contribute to the common organisational objectives. Departmental decisions must support the interests of Apex Ltd. as a whole.

Step 2: Identify Neha's level and state two additional functions Neha works at the **middle level of**

management, as she is "heading the marketing department". Ensuring the necessary personnel and motivating them are already mentioned in the case. Two other functions she would perform are:

- **Interpreting policies framed by top management:** She would explain the company's policies and plans to the managers and employees in her department and translate them into suitable departmental action. This links the broad plans of the organisation with their implementation.
- **Assigning necessary duties and responsibilities:** She would allocate work among departmental personnel and specify their responsibilities for implementing the marketing plans. Clear allocation helps each person understand the contribution expected from them.

Step 3: Conclusion Arjun's additional functions are formulating overall goals and strategies and coordinating departmental activities. Neha's additional functions are interpreting top management's policies and assigning necessary duties and responsibilities.

Quick Tip to Solve: First identify top versus departmental management, then exclude the functions the case has already supplied.

31. 'Alpha Electronics' had recently received a large order for the supply of electronic control panels. The management was under pressure to deliver it on time. When one of the production lines started malfunctioning, the Production Manager, Suresh, was concerned. Although 'Alpha Electronics' was an organisation with highly centralised pattern where free communication was not encouraged. Suresh, still decided to call his senior technician, Manoj, to understand the problem. Suresh had the reputation of being unapproachable. He was conscious of his seniority and position so he rarely encouraged his subordinates to speak freely. Manoj was nervous as the production line was damaged due to his own negligence and he thought sharing it with his senior, Suresh, would adversely affect his interests. Anyhow, he had to go to Suresh's office. When Manoj entered Suresh's office, he saw that Suresh was pre-occupied with an important file before him. Suresh asked Manoj to explain what the problem was. Manoj reluctantly started explaining, but he felt that Suresh wasn't listening to him. So Manoj did not share the complete information and the problem in the production line could not be rectified on time.

Identify and explain four communication barriers discussed in the above case. [6 marks]

Solution:

Concept:

- Directing: barriers to effective communication can arise from organisational arrangements, personal attitudes and the psychological state of the sender or receiver.
- In a case-based answer, each barrier is identified by its NCERT term, explained, and linked to the particular words describing it.

Step 1: Explain the organisational barriers

- **Organisational policy:** When organisational policy does not support the free flow of communication, employees are discouraged from openly exchanging information. A highly centralised organisation may require information to pass through prescribed channels and restrict candid communication. The case says that Alpha Electronics had a "highly centralised pattern where free

communication was not encouraged". Thus the company's policy itself created an organisational barrier to communicating the production problem freely.

- **Status:** The status of a superior can become a barrier when the superior is too conscious of rank and does not permit subordinates to express themselves freely. Subordinates may hesitate to approach such a superior or speak openly. Suresh was "conscious of his seniority and position" and "rarely encouraged his subordinates to speak freely". His reputation for being unapproachable reinforces this status barrier.

Step 2: Explain the personal and psychological barriers

- **Unwillingness to communicate:** This personal barrier arises when a subordinate deliberately withholds information because communicating it may adversely affect the subordinate's interests. Manoj knew the line had been damaged by his own negligence and believed that telling Suresh "would adversely affect his interests". His reluctance to disclose the facts prevented the manager from obtaining the complete information needed to deal with the malfunction.
- **Lack of attention:** This psychological barrier occurs when the receiver is preoccupied and fails to listen properly to the message. Suresh was "pre-occupied with an important file" when Manoj entered and Manoj felt that "Suresh wasn't listening to him". Since Suresh's attention was elsewhere, effective understanding and exchange of the information were obstructed. This contributed to Manoj not sharing the complete information and to the delay in rectifying the production line.

Step 3: Conclusion The four barriers are organisational policy, status, unwillingness to communicate and lack of attention. The first two are organisational barriers, the third is a personal barrier and the fourth is a psychological barrier.

Quick Tip to Solve: Match centralisation to policy, seniority to status, self-interest to unwillingness, and the distracting file to lack of attention.

32(a). Explain the following points of importance of planning :

(i) Planning facilitates decision-making

(ii) Planning establishes standards for controlling

(iii) Planning promotes innovative ideas [6 marks]

Solution:

Concept:

- Planning: importance of planning in choosing a course of action, setting standards for control and encouraging innovation.
- Planning means deciding in advance what is to be done and how it is to be done. It involves setting objectives and developing appropriate courses of action to achieve them.

Step 1: (i) Planning facilitates decision-making **Choosing among alternatives:** Planning helps a manager look into the future and make a choice from among alternative courses of action. The manager identifies the possible alternatives, evaluates them in relation to the objectives and selects the most suitable one. Thus, planning provides a reasoned basis for deciding what to do and how to do it.

Anticipating future conditions: By predicting future conditions, planning helps the manager judge the likely consequences of different actions before committing resources. Decisions can therefore be made with reference to the organisation's goals rather than on impulse. Planning facilitates decision-making because selecting the best alternative is an integral part of planning.

Step 2: (ii) Planning establishes standards for controlling **Providing a basis of comparison:** Planning specifies the objectives to be achieved and the expected results. These planned results become the standards against which actual performance is measured during controlling. Without predetermined standards, a manager cannot meaningfully judge whether performance is satisfactory.

Enabling corrective action: A comparison of actual results with the standards reveals deviations. Managers can analyse their causes and take corrective action so that organisational objectives are achieved. Planning therefore provides the basis for control; controlling, in turn, helps ensure that the plans are implemented as intended.

Step 3: (iii) Planning promotes innovative ideas **Encouraging new approaches:** Since planning is the first function of management, new ideas can take the shape of concrete plans at this stage. Managers think about future opportunities and problems and develop different ways of achieving the objectives. This encourages creative thinking instead of merely repeating existing methods.

Turning ideas into action: Planning allows promising ideas to be examined and developed into practicable courses of action. Innovative ideas can therefore guide the growth and prosperity of the business. A thoughtful plan connects a new idea with the objectives and the activities needed to put it into practice.

Step 4: Conclusion Planning facilitates rational decisions, supplies standards for controlling and provides an opportunity for innovative ideas to become concrete plans.

Quick Tip to Solve: Link each point to its outcome: alternatives lead to decisions, planned targets enable control, and new ideas become concrete plans.

OR

32(b). Explain the following points of importance of delegation :

(i) Facilitation of growth

(ii) Basis of management hierarchy

(iii) Better coordination [6 marks]

Solution:

Concept:

- Organising: importance of delegation in facilitating growth, establishing the management hierarchy and securing coordination.
- Delegation is the transfer of authority from a superior to a subordinate to perform assigned tasks. It involves assignment of responsibility, grant of authority and creation of accountability.

Step 1: (i) Facilitation of growth **Developing managerial talent:** Delegation gives employees an opportunity to use their abilities, exercise judgement and handle responsibility. By performing the

tasks entrusted to them, subordinates gain experience and develop the competence needed to take up higher positions. This helps create a pool of capable managers within the organisation.

Supporting expansion: When the business grows, these trained and experienced employees can assume new responsibilities and key positions in new departments or projects. The organisation does not have to depend entirely on a few existing senior managers. Delegation thus helps make available the managerial resources required for expansion and facilitates organisational growth.

Step 2: (ii) Basis of management hierarchy **Establishing superior-subordinate relationships:** Delegation establishes relationships between superiors and subordinates. A superior entrusts a task to a subordinate and grants the authority needed to perform it, while the subordinate becomes answerable for the outcome. This relationship is repeated at different levels of the organisation.

Defining levels and authority: The extent of authority delegated determines the power enjoyed by a position. Delegation therefore provides the basis for the management hierarchy and clarifies who is to report to whom. It links the different positions into an organised structure through which responsibility and authority flow.

Step 3: (iii) Better coordination **Clarifying work and powers:** Delegation clearly defines each employee's tasks, the authority available to carry them out and the accountability attached to them. Employees understand what is expected of them and the limits within which they may act. This reduces uncertainty about individual roles.

Integrating activities: Clear reporting relationships and clearly defined powers, duties and answerability help avoid overlapping effort and duplication of work. Employees can relate their activities to those of others, reducing confusion and conflict. This clarity helps coordinate the efforts of different employees towards the achievement of organisational objectives.

Step 4: Conclusion Delegation facilitates growth by developing managers, creates the management hierarchy through reporting relationships, and improves coordination by clarifying authority, responsibility and accountability.

Quick Tip to Solve: Remember the three links: trained managers support growth, reporting relationships form hierarchy, and clear roles improve coordination.

33. 'Quality Foods Ltd.', a company manufacturing packaged snacks has been in business for the last 10 years. It enjoys a good reputation and has a loyal customer base. This financial year, the profits of the company increased manifold as the company introduced a new range of baked snacks that became very popular. As the year came to an end, the company had to decide how much dividend to pay to its shareholders. In view of the above and with the understanding that investors, in general, view an increase in dividend as good news and stock prices react positively to it, the Board of Directors were keen on declaring a high dividend. However, the Chief Finance Officer of the company pointed out that they need to keep many considerations in mind before declaring dividend. He drew the attention of the Board of Directors to the loan that the company has taken, containing a clause that imposes restriction on the payment of dividend. Further, he pointed out that even though the profits were high, a large amount of money was tied to the amounts receivables from the debtors. Without enough cash in hand, announcing a high dividend may not be practical. He also reminded the Board of Directors that 'Quality Foods Ltd.' was planning to expand into the breakfast cereal market. Since this new project will require a huge investment, the company will need to retain more money out of their earnings to finance it.

(a) Identify and explain any two factors affecting dividend decision that would have influenced the decision of the Board of Directors to pay a high dividend.

(b) Identify and explain any two factors to which the Chief Finance Officer drew the attention of the Board of Directors. [6 marks]

Solution:

Concept:

- Dividend decision concerns how much of the profit earned should be distributed to shareholders and how much should be retained in the business.
- NCERT Financial Management: the amount of earnings and the stock market reaction can encourage dividend payment; contractual constraints, cash flow position and growth opportunities can restrict it.

Step 1: (a) Amount of earnings **Amount of earnings:** The case states that the company's profits "increased manifold" after its new baked snacks became popular. Dividends are paid out of current and past earnings. Therefore, the amount of earnings available is a major determinant of the dividend decision. Other things remaining the same, higher earnings provide greater scope for distributing dividends. The substantial increase in profits thus encouraged the Board to consider a high dividend.

Step 2: (a) Stock market reaction **Stock market reaction:** The case states that investors "view an increase in dividend as good news and stock prices react positively to it". Investors generally regard a rise in dividend as a favourable indication about the company's performance and prospects. Consequently, an increase in dividend may lead to a rise in the market price of its shares. The Board's wish to obtain this favourable reaction influenced its preference for a high dividend.

Step 3: (b) Contractual constraints **Contractual constraints:** The CFO highlighted the loan "containing a clause that imposes restriction on the payment of dividend". When a company raises a loan, the lender may impose restrictions on dividend payments to protect its interests. The company must comply with the terms of its loan agreement while deciding its dividend. Thus, even high profits do not allow the Board to ignore this contractual restriction.

Step 4: (b) Cash flow position **Cash flow position:** The CFO pointed out that "a large amount of money was tied to the amounts receivables from the debtors" and that there was not enough cash in hand. Payment of dividend involves an outflow of cash. A company must therefore have sufficient cash to pay the proposed dividend. High accounting profits do not necessarily imply a strong cash position, since credit sales can increase profits before their proceeds are collected. The receivables therefore restrict the practicability of a high dividend.

Step 5: Conclusion For (a), the two factors are **amount of earnings** and **stock market reaction**. For (b), the two factors are **contractual constraints** and **cash flow position**.

Quick Tip to Solve: Match the case clue to the NCERT factor: profits to earnings, share-price response to stock market reaction, loan clause to contractual constraints, and debtors to cash flow.

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

(i) Preliminary Screening

(ii) Employment Interview

(iii) Job Offer [6 marks]

Solution:

Concept:

- NCERT Staffing: selection is the process of choosing the best candidate from among prospective job candidates for a vacant position.
- The selection process progressively assesses suitability, obtains relevant information and communicates an offer to the candidate who successfully clears the required stages.

Step 1: (i) Preliminary screening **Purpose:** Preliminary screening helps the manager eliminate unqualified or unfit job seekers on the basis of information supplied in their application forms. Applications are examined against the basic requirements of the job, such as the required educational qualifications and relevant experience. Candidates who clearly do not meet those requirements are screened out at this initial stage.

Screening interview: A preliminary interview may also be conducted. It helps reject applicants for reasons that did not appear in the application form. Thus, preliminary screening narrows the group to candidates who merit further assessment and avoids spending the later stages of selection on clearly unsuitable applicants.

Step 2: (ii) Employment interview **Purpose and nature:** An employment interview is a formal, in-depth conversation conducted to evaluate an applicant's suitability for the job. The interviewer seeks relevant information about the candidate and assesses whether the candidate can perform the work and fit the requirements of the position. The conversation also gives the candidate an opportunity to obtain information about the organisation and the job.

Two-way assessment: The employer and the prospective employee exchange information during the interview. It therefore enables the employer to judge the applicant, while helping the applicant decide whether the employment opportunity meets his or her expectations. It is more detailed than the initial screening interview.

Step 3: (iii) Job offer **Communication of selection:** A job offer is made to an applicant who has passed the preceding hurdles of selection. It is communicated through a letter of appointment. The letter confirms the offer and provides the selected candidate with the necessary information about joining the organisation.

Acceptance and reporting: Acceptance of the offer is required within the specified period. The letter normally mentions the date by which the appointee must report for duty. The selected candidate must be given reasonable time to join, particularly when he or she is already employed and must serve the required notice period with the present employer. This step communicates the employer's decision formally and enables the candidate to accept the position.

Step 4: Conclusion Preliminary screening removes unsuitable applicants at the outset; the employment interview evaluates suitability through an in-depth conversation; and the job offer formally communicates the offer through a letter of appointment.

Quick Tip to Solve: Keep the three stages distinct: initial elimination, detailed two-way conversation, and formal offer with acceptance and joining details.

OR

34(b). Explain the following methods of training :

(i) Apprenticeship programmes

(ii) Internship training

(iii) Vestibule training [6 marks]

Solution:

Concept:

- Staffing: Training and development improve employees' knowledge and skills for effective performance of their jobs.
- Training methods differ in who receives practical experience, who supervises it and whether it takes place at the actual work site or in a separate training setting.

Step 1: (i) Apprenticeship programmes **Meaning and supervision:** Under apprenticeship programmes, the trainee is placed under the guidance of a master worker. The trainee learns the skills of the occupation by working with an experienced person and observing how the work is performed.

Duration and suitability: These programmes are designed for jobs that require a high level of skill and are normally spread over a prescribed period. Electricians, plumbers and iron workers, for example, must acquire and practise a range of skills before becoming fully proficient. Apprenticeship allows them to develop those skills systematically under expert guidance.

Step 2: (ii) Internship training **Joint training arrangement:** Internship training is a programme in which educational institutions and business enterprises cooperate to provide training. It combines formal education with practical experience in an organisation.

Application of learning: Selected candidates continue their regular studies for a prescribed period and also work in a factory or an office to acquire practical knowledge and skills. For example, a

student studying engineering may gain industrial experience in a factory. This exposure helps the student relate classroom learning to the actual demands and conditions of work.

Step 3: (iii) Vestibule training **Simulated workplace:** Under vestibule training, employees learn their jobs on the equipment they will use, but the training is conducted away from the actual work floor. A separate training setting is created in which the actual work environment is duplicated.

Use and advantage: This method is particularly suitable when employees must learn to handle sophisticated machinery and equipment. They can practise operating the equipment in conditions resembling the workplace without interrupting normal production. Thus, job skills are developed in a separate environment before the employees perform their duties on the actual work floor.

Step 4: Conclusion Apprenticeship develops skilled workers under a master worker; internship combines institutional studies with practical work experience; and vestibule training teaches employees in a duplicated work environment away from the actual work floor.

Quick Tip to Solve: Remember the identifying features: master worker for apprenticeship, studies plus workplace experience for internship, and a duplicated workplace for vestibule training.