CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/4/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. 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 consumer redressal machinery consists of the District, State and National Commissions.
- An appeal against an order of a State Commission is made to the National Commission; an appeal follows the hierarchy of consumer redressal.

Step 1: Identify the original forum The consideration paid for the luxury car is Rs 2 crores. This complaint falls within the pecuniary jurisdiction of the State Commission. The case states that Kabir was dissatisfied with the orders of the appropriate consumer court, so the next step is an appeal against that forum's order.

Step 2: Choose the appellate forum The appeal from the State Commission lies before the National Commission. Option (A), District Commission, is a lower forum. Option (B), State Commission, is the forum whose order is being challenged. Option (D), Supreme Court, is the appellate forum for relevant orders of the National Commission, rather than the immediate appellate forum here.

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

Quick Tip to Solve: First identify the original commission using the value paid; then move one level upward for the appeal.

2. 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 the authority needed to carry out a task.
- Accountability is the obligation to answer for results to the superior who assigned the task; it cannot be delegated.

Step 1: Trace the delegation Sharad assigned the urgent order to Anita and gave her authority to plan and complete it. The words 'Anita further assigned the work to Rohit' show a second delegation. This does not release Anita from her obligation to report the result to Sharad.

Step 2: Locate accountability to the named superior Anita remains accountable to Sharad for completion of the assigned order. Rohit is answerable to Anita for his own failure, so (A) is not the answer to the stated reporting relationship. Option (C) wrongly treats both as directly accountable to Sharad for this delegation. Sharad himself, (D), is the assigning superior rather than the subordinate accountable to himself.

Step 3: Conclusion Anita is accountable to Sharad. Hence, the correct option is (B).

Quick Tip to Solve: Draw the reporting chain mentally: Rohit answers to Anita, and Anita remains answerable to Sharad.

3. 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 and may use positive rewards or negative measures.
- Motivation is also a complex process because individuals differ in expectations, perceptions and reactions.

Step 1: Judge the assertion Assertion (A) is true. Positive motivation offers rewards such as recognition, promotion or higher pay. Negative motivation relies on the fear of adverse consequences, such as a warning or disciplinary action, to influence behaviour.

Step 2: Judge the reason Reason (R) is true. People are heterogeneous: the same incentive or managerial action can produce different responses because their needs, expectations and perceptions differ. This is why understanding and motivating employees is complex.

Step 3: Test the explanatory link and options The reason explains the complexity of motivation; it does not explain the distinction between positive and negative motivation, which depends on the nature of the inducement. Therefore (A) wrongly claims an explanatory link. Option (C) wrongly calls both statements false, while (D) wrongly 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 each statement to its own feature: rewards or penalties indicate positive or negative motivation; individual differences indicate complexity.

4. '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: planning is a mental exercise involving thinking before doing.
- Foresight, intelligence, imagination and sound judgement are intellectual abilities used to formulate plans.

Step 1: Read the decisive words The phrase 'application of mind' directly identifies the intellectual nature of planning. The listed abilities require managers to think logically and systematically about objectives and the means of achieving them. This is the feature that planning is a mental exercise.

Step 2: Eliminate the other features Option (A), futuristic, stresses anticipating future conditions. Option (B), decision-making, stresses selecting the best alternative. Option (D), continuous, stresses the recurring preparation and revision of plans. Although these are also planning features, the statement specifically emphasises the mental abilities used in planning, making (C) the precise match.

Step 3: Conclusion The feature is that planning is a mental exercise. Hence, the correct option is (C).

Quick Tip to Solve: Use the phrase application of mind as the direct cue for the mental-exercise feature of planning.

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5. '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 business environment differs across countries and regions.
- Complexity, uncertainty and dynamic nature describe different characteristics of environmental forces.

Step 1: Identify the basis of difference The statement says that the environment 'differs from country to country and even region to region'. It compares places, showing that business conditions depend on the geographical and social context in which a business operates. This reflects relativity.

Step 2: Distinguish the other options Complexity, option (B), concerns the many interrelated environmental forces and the difficulty of understanding them together. Uncertainty, option (C), concerns difficulty in predicting future changes. Dynamic nature, option (D), refers to the environment changing over time. None is the specific feature indicated by a comparison between countries and regions.

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

Quick Tip to Solve: A comparison between locations signals relativity; a comparison over time usually signals dynamic nature.

6. 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 or wrapper of a product.
- Secondary packaging is an additional protective layer around primary packs; transportation packaging supports storage, identification and transport.

Step 1: Identify what directly contains the product In the picture, the individual packets directly contain the different flavours of chips. These packets are the primary packaging. The question instead asks about the outer pouch which 'contains packets of different flavours of chips', placing it outside those immediate wrappers.

Step 2: Classify the outer pouch and check alternatives The outer pouch groups and protects the already packed products, so it is secondary packaging. Option (A) would apply to each individual chips packet. Option (C) refers to packaging such as corrugated boxes or crates used for storage and transport, which is not the consumer pouch depicted. Option (D), general, is not one of the standard levels of packaging in this classification.

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

Quick Tip to Solve: Identify the immediate wrapper first: an extra consumer pack holding several primary packets is secondary packaging.

7. 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 environmental forces helps firms obtain resources, adapt to change and formulate plans and policies.
- Political stability supports confidence for long-term investment; increasing political instability is not a benefit of understanding the business environment.

Step 1: Check the genuine benefits Option (A) is correct because awareness of environmental changes helps a firm adjust its operations. Option (B) is correct because the environment supplies inputs such as finance, labour and materials. Option (C) is correct because environmental analysis provides the information needed for planning and policy formulation.

Step 2: Identify the incorrect statement Option (D) says that business environment helps in 'increasing political instability' and thereby builds confidence to invest. This is incorrect: instability creates uncertainty and generally discourages long-term commitment. The importance of understanding the business environment does not include increasing political instability. Since the question asks for the incorrect statement, this is the required selection.

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

Quick Tip to Solve: Underline incorrect before checking the options; political instability reduces rather than builds investment confidence.

8. 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 capital.
- Debt holders receive contractual interest and have priority over equity shareholders; equity shareholders bear the residual risk.

Step 1: Judge Assertion (A) Assertion (A) is false. The cost of debt is generally lower than the cost of equity. Lenders accept a lower return because their claims are relatively safer; interest is also a tax-deductible expense for the firm, reducing the effective cost of debt.

Step 2: Judge Reason (R) Reason (R) is true. The lender earns an assured contractual return and is entitled to repayment of capital. Equity shareholders receive dividends only when declared and have a residual claim on income and assets, so their risk is greater.

Step 3: Test the relationship and options The reason supports the lower cost of debt, which is the opposite of the assertion. Options (A) and (B) incorrectly treat the assertion as true. Option (C) also treats it as true and incorrectly rejects the reason. Only option (D) matches the two truth values.

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

Quick Tip to Solve: Compare the risk borne by the provider of funds before comparing the returns that provider requires.

9. '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:

- Planning: a budget is a statement of expected results expressed in numerical terms.
- Budgets can state physical quantities, such as units of output or labour requirements, as well as financial amounts.

Step 1: Identify the numerical estimate The manager 'estimated the number of workers required during peak production days'. This expresses the expected labour requirement numerically for the anticipated production workload. Therefore, the plan is a budget, even though the quantity estimated is workers rather than money.

Step 2: Eliminate the other types of plans A policy is a general guide to decision-making, rather than a numerical forecast of resources. A method states the prescribed way of performing a task; no such technique is described. An objective is an end to be achieved, whereas the case highlights the numerical resource estimate needed to handle the expected workload.

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

Quick Tip to Solve: A numerical plan can be a budget even when it counts workers or output instead of rupees.

10. '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:

- Principles of Management: Fayol's principle of stability of personnel emphasises reasonable tenure and minimum employee turnover.
- Employees need sufficient time to adjust to their jobs, learn their duties and demonstrate results.

Step 1: Connect the case to the principle The decision to keep employees 'at the same position for a minimum tenure' and give them 'sufficient time to show results' directly illustrates stability of personnel. Frequent changes prevent employees from settling into their roles and waste recruitment and training expenditure.

Step 2: Check the alternative principles Order concerns the right person and material being in the right place. Division of work concerns specialisation through division of tasks. Authority and responsibility concerns balancing the right to give orders with accountability for performance. These principles do not directly explain the minimum tenure introduced to reduce employee turnover.

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

Quick Tip to Solve: When a case stresses time to settle into a job and reduced turnover, identify stability of personnel.

11. _____ is the framework within which the managerial and operating tasks are performed.

[1 mark]

(A) Organising

(B) Organisational structure

(C) Delegation

(D) Decentralisation

Correct Answer: (B) Organisational structure

Solution:

Concept:

- Organising: organisational structure is the framework within which managerial and operating tasks are performed.
- It specifies job positions, reporting relationships and the pattern of authority and responsibility.

Step 1: Identify the framework Organisational structure provides the framework for assigning activities, grouping tasks and establishing working relationships. It clarifies who reports to whom and how different jobs fit together, allowing managerial and operating work to be performed in a coordinated manner.

Step 2: Distinguish the other terms Organising is the process of defining and grouping activities and establishing authority relationships; organisational structure is its resulting framework. Delegation is the transfer of authority from a superior to a subordinate. Decentralisation is the systematic dispersal of decision-making authority to lower levels. Neither delegation nor decentralisation names the entire framework.

Step 3: Conclusion The blank is organisational structure. Hence, the correct option is (B).

Quick Tip to Solve: Distinguish the organising process from the organisational structure that the process creates.

12. 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:

- Nature and Significance of Management: coordination is a continuous process that begins at planning and continues through other managerial functions.
- Coordination integrates activities and synchronises efforts as work proceeds towards organisational goals.

Step 1: Trace coordination through the activities Rohit prepares plans in June, ensures that 'enough workers are available', and 'continuously monitors whether the work is progressing as scheduled or not'. He also informs marketing in time. Coordination therefore continues from planning through staffing and controlling and links production with promotion throughout preparation for the sale.

Step 2: Compare the features offered Option (B) captures this continuity across successive managerial activities. Option (A), all-pervasiveness, would primarily emphasise coordination across every department and level. Option (C), deliberateness, emphasises conscious managerial efforts rather than spontaneous cooperation. Option (D) emphasises the duty of managers at all levels; the case describes the continuing activities of one manager instead.

Step 3: Conclusion The highlighted feature is that coordination is a continuous process. Hence, the correct option is (B).

Quick Tip to Solve: Follow the sequence of managerial functions: coordination continuing through that sequence indicates continuity.

13. 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:

- Organising: divisional structure groups activities around distinct products or product lines.
- Each division can operate as a relatively self-contained unit, making the addition of new divisions easier.

Step 1: Identify the divisional advantage Under divisional structure, expansion and growth can be accommodated by adding a new division for a new product line. Existing divisions continue their operations, so the organisation can expand without interrupting its current activities. This directly matches option (A).

Step 2: Test the remaining statements Option (B), greater managerial and operational efficiency through specialised functions, is a stated advantage of functional structure. Option (C), easier training focused on a limited range of skills, also follows from functional specialisation. Option (D), easier control and coordination within a department because tasks are similar, likewise describes functional structure. Thus these are not the distinguishing divisional advantage requested here.

Step 3: Conclusion Divisional structure facilitates expansion and growth by adding new divisions without interrupting existing operations. Hence, the correct option is (A).

Quick Tip to Solve: New product divisions suggest divisional structure; similar tasks and narrow skill training suggest functional structure.

14. 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: managers instruct, guide, motivate and lead employees to achieve organisational objectives.
- Directing initiates action, is continuous, occurs at every management level and flows down the hierarchy.

Step 1: Check the statement about management levels Option (C) is incorrect because directing takes place at every level of management wherever a superior guides subordinates. Top managers direct middle managers, middle managers direct lower-level managers, and supervisors direct operating employees. It is therefore not confined to the top level.

Step 2: Verify why the other statements hold Option (A) is correct: directing continues throughout organisational life as employees require ongoing guidance and motivation. Option (B) is correct: directions flow from a superior towards subordinates down the hierarchy. Option (D) is correct: directing initiates action by translating plans and organisational arrangements into employee performance. Since the question asks for the incorrect statement, these three are eliminated.

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

Quick Tip to Solve: Underline the word incorrect, then remember that every manager directs the subordinates under that manager.

15. 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:

- Job security, job enrichment, career advancement opportunity and employee participation are non-financial incentives that satisfy psychological and social needs.
- Identify each incentive by its distinctive benefit: stability, richer work, promotion prospects or involvement in decisions.

Step 1: Match the four incentives **Job Security:** Stability about future income and work gives 1–(iii). **Job Enrichment:** Designing jobs with greater variety and higher knowledge and skill requirements gives 2–(iv). **Career Advancement Opportunity:** Opportunities to improve skills and gain promotion give 3–(ii). **Employee Participation:** Involving employees in decisions concerning them gives 4–(i).

Step 2: Check the alternatives Option (A) contains all four correct matches. Option (B) swaps job enrichment and participation. Option (C) wrongly associates job security with richer work and enrichment with stability. Option (D) links security to participation, enrichment to promotion, career advancement to stability and participation to job design; all these links are incorrect.

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

Quick Tip to Solve: Match security with stability first, then distinguish richer jobs from promotion opportunities.

16. '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:

- Availability of raw material affects the stock that a business must hold and hence the working capital tied up in inventory.
- Lead time is the time between placing a material order and receiving its supply; longer lead time generally requires larger material stocks.

Step 1: Identify the factor from the quotation The statement links 'the larger the lead time' with a larger quantity of stored material. When supplies take longer to arrive, the business must maintain enough raw material to continue production during the waiting period. The additional inventory requires more funds, so the factor is availability of raw material.

Step 2: Eliminate the other factors Option (A), operating efficiency, concerns efficient use of resources and the operating cycle. Option (B), inflation, raises the money needed because input prices rise. Option (D), production cycle, concerns the time spent converting raw materials into finished goods. None describes the waiting time for receipt of raw materials; option (C) does.

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

Quick Tip to Solve: Use the time boundary: order-to-delivery is material lead time; input-to-output is the production cycle.

17. 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:

- Planning and controlling are interdependent: planning supplies standards, while controlling evaluates actual performance against them.
- Planning is prescriptive because it specifies action; controlling is evaluative because it judges results.

Step 1: Evaluate Statement I Statement I is true. Planning looks forward by deciding future action, but it also uses past experience and information obtained through control. Controlling looks backward when it evaluates performance already achieved and looks forward when corrective action prevents recurrence of deviations. Thus, both have forward-looking and backward-looking aspects.

Step 2: Evaluate Statement II and the options Statement II is false because it reverses the two descriptions. Planning is prescriptive: it lays down what should be done. Controlling is evaluative: it assesses whether performance conforms to the plan. Option (A) correctly combines a true Statement I with a false Statement II. Option (B) reverses these judgements; (C) wrongly accepts Statement II; (D) wrongly rejects Statement I.

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

Quick Tip to Solve: Remember: a plan prescribes what to do; control evaluates what has been done and guides correction.

18. 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:

- Management increases efficiency by reducing costs and increasing productivity through better planning, organising, staffing, directing and controlling.
- Efficiency means performing activities with minimum cost and optimum use of resources.

Step 1: Connect the case with efficiency The decisive words are 'reduce the costs and increase the productivity' and 'cost reduction but also in increased productivity and profits'. Dinkar rearranges processes, matches tasks to skills, gives clearer directions and controls activities. These coordinated management efforts improve resource use, which demonstrates that management increases efficiency.

Step 2: Check every alternative Option (A) concerns adapting to changes in the business environment, which is not the central issue here. Option (B) concerns employees achieving their individual objectives, such as suitable remuneration or personal growth. Option (C) concerns wider social benefits and development. The specific result in this case is lower cost with higher productivity, making option (D) the direct and appropriate answer.

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

Quick Tip to Solve: Underline the stated result: lower costs plus greater productivity directly signals efficiency.

19. 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:

- The production concept assumes that consumers favour products that are widely available and affordable.
- The selling concept assumes consumers need persuasion and motivation to buy enough; it emphasises selling and promotional efforts.

Step 1: Evaluate Statement I Statement I is false. The belief that customers will not buy enough unless adequately convinced and motivated belongs to the selling concept. It calls for aggressive selling and promotion. The production concept instead emphasises availability and affordability, achieved through production efficiency and distribution.

Step 2: Evaluate Statement II and the alternatives Statement II is also false. Preference for widely available products at affordable prices is the assumption of the production concept, not the selling concept. Option (A) wrongly treats Statement I as true; option (B) wrongly treats Statement II as true; option (D) wrongly accepts both. Option (C) correctly recognises that both statements assign the assumptions to the wrong concepts.

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; associate selling with convincing customers to buy.

20. '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:

- The controlling process follows a logical sequence: set standards, measure actual performance, compare it with standards, analyse deviations and take corrective action.
- Comparison requires measured results, and effective corrective action requires prior analysis of the deviations and their causes.

Step 1: Arrange the subsequent steps After standards are set, the sequence is: **Measurement of actual performance**, followed by **Comparing actual performance with standards**, then **Analysing deviations**, and finally **Taking corrective action**. Measurement establishes what happened; comparison identifies gaps; analysis finds their significance and causes; correction addresses those causes.

Step 2: Check the proposed sequences Option (B) follows this complete order. Option (A) starts comparison before measurement and places correction before analysis. Option (C) takes corrective action before comparison and analysis. Option (D) analyses deviations before actual performance has been measured and compared. Therefore, each of the other sequences breaks the logical dependence between the stages.

Step 3: Conclusion The subsequent steps are measurement, comparison, analysis of deviations and corrective action. Hence, the correct option is (B).

Quick Tip to Solve: Remember the order after setting standards: measure, compare, analyse, correct.

21. '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.
- Controlling compares actual performance with predetermined standards and directs corrective action so that activities contribute to the common objectives.

Step 1: Identify the first point from the result **Accomplishing organisational goals:** Controlling measures progress towards organisational goals, brings deviations to light and indicates the corrective action needed to achieve those goals. In the case, spoilage was increasing costs and reducing profits, so the company "was not able to achieve its goals". Meera set standards and brought wastage under control. The statement that the company could "achieve its goals" within a month shows how controlling helped it accomplish its objectives.

Step 2: Identify the second point from departmental action **Facilitating coordination in action:** Controlling provides direction to the activities of different departments through predetermined standards. Their efforts are coordinated and directed towards organisational objectives. Earlier, cleaning, cutting and packing worked "at their own pace", causing spoilage. Meera set standards "which were well coordinated with one another", and each activity had to follow them. This aligned the interdependent departments and helped the company supply salads with minimum wastage.

Step 3: Conclusion The two points are accomplishing organisational goals and facilitating coordination in action.

Quick Tip to Solve: Link "achieve its goals with goal accomplishment and the coordinated departmental standards with coordination in action.

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

[3 marks]

Solution:

Concept:

- Organising: Formal and informal organisation differ in their origin, authority and flow of communication.
- A formal organisation is deliberately designed by management; an informal organisation is a network of social relationships that arises through interaction.

Step 1: Establish the meaning of the two organisations A formal organisation specifies official positions, working relationships and reporting duties to achieve organisational objectives. An informal organisation develops when employees interact socially within the formal organisation. The following three bases distinguish them.

Step 2: State three differences

Basis	Formal organisation	Informal organisation
Origin	It is deliberately created by management through a clearly defined structure.	It arises spontaneously from social interaction among employees.
Authority	Authority arises from a person's official position in the management hierarchy.	Authority arises from personal qualities and acceptance by the members of the group.
Flow of communication	Communication follows the officially prescribed channels and chain of command.	Communication has no prescribed route; it can flow freely in different directions through the grapevine.

Step 3: Conclusion Thus, formal and informal organisation differ in origin, source of authority and communication channels.

Quick Tip to Solve: Use the same basis for both columns: deliberate versus spontaneous origin, position versus personal influence, and prescribed versus free communication.

OR

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

[3 marks]

Solution:

Concept:

- Organising: Functional and divisional structures group activities on different bases and create different patterns of specialisation and accountability.
- Functional structure groups similar functions together, while divisional structure groups activities around products.

Step 1: Identify the organising basis A functional structure brings together jobs requiring similar knowledge and skills, such as production, finance and marketing. A divisional structure groups all

activities related to a particular product into one division; each division can contain its own functional departments. The differences below follow from these arrangements.

Step 2: State three differences

Basis	Divisional structure	Functional structure
Formation	Activities are grouped on the basis of products or product lines, with a separate division for each.	Activities are grouped on the basis of functions, such as production, finance and marketing.
Specialisation	It leads to product specialisation, since a division focuses on one product or product line.	It leads to functional specialisation, since each department concentrates on its particular function.
Responsibility	Responsibility for a product's performance and profits is easier to fix on its divisional head.	Responsibility for overall product profits is harder to fix on one department because several functions contribute jointly to the result.

Step 3: Conclusion The three bases of difference are formation, specialisation and responsibility for performance.

Quick Tip to Solve: Remember that divisional means product groups; functional means activity groups. Derive specialisation and accountability from that grouping.

23. '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: the political environment comprises political conditions, including the stability of government, which influence business decisions.
- The legal environment comprises laws, regulations and government decisions that prescribe the framework within which a business must operate.

Step 1: Political environment **Political environment:** This includes political conditions such as general stability and peace in the country and the attitude of the elected government towards business. Political stability creates confidence among business people to invest in long-term projects, whereas uncertainty can discourage such investment. The case states that "the government in Varanchal had been stable for several years" and that this "had built confidence among business people to invest in long-term projects there." Thus, the political environment influenced Tiva Motors' choice of location for its manufacturing unit.

Step 2: Legal environment **Legal environment:** This includes the laws passed by the government, administrative orders and regulations issued by government authorities, and judicial decisions. Businesses must understand and comply with this legal framework to perform successfully. The company decided to "obtain licences under environmental laws and necessary permissions from the government departments." These legal requirements govern the establishment and operation of its unit and identify the legal dimension of the business environment.

Step 3: Conclusion The two dimensions highlighted are the **political environment**, reflected in stable government encouraging investment, and the **legal environment**, reflected in compliance with environmental licensing and government permission requirements.

Quick Tip to Solve: Link government stability to the political environment; link compulsory laws, licences and permissions to the legal environment.

24(a). Differentiate between Capital Market and Money Market on the basis of :

(i) Participants

(ii) Liquidity

(iii) Duration [3 marks]

Solution:

Concept:

- Financial Markets: the capital market channels medium-term and long-term funds through instruments such as shares and debentures.
- The money market deals in short-term funds through highly liquid instruments such as treasury bills, commercial paper and commercial bills.

Step 1: Compare the three specified bases The distinction is as follows:

Basis	Capital Market	Money Market
Participants	Development banks, commercial banks, corporate entities, foreign investors and ordinary retail investors participate.	Major participants are the Reserve Bank of India, commercial banks, financial institutions and finance companies; large companies and mutual funds also participate.
Liquidity	Securities are liquid because they are traded on stock exchanges, but are less liquid than money-market instruments.	Instruments have a higher degree of liquidity, with arrangements for their ready conversion into cash.
Duration	Deals in medium-term and long-term funds, generally for periods exceeding one year.	Deals in short-term funds for a maximum period of one year.

Step 2: Relate the differences to the purpose of each market The capital market supports longer-term investment and gives retail investors opportunities to invest in securities. The money market primarily meets temporary funding needs of institutional participants. Its short maturity and arrangements for ready sale help explain its comparatively high liquidity. A capital-market security being tradable does not mean that it is as liquid as a money-market instrument.

Step 3: Conclusion Capital and money markets differ in their participants, degree of liquidity and duration: the capital market includes retail investors and provides longer-term funds, while the money market mainly serves institutions with more liquid instruments of up to one year's maturity.

Quick Tip to Solve: Use the one-year maturity boundary first, then remember that retail participation belongs to the capital market and higher liquidity to the money market.

OR

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

(i) Nature of the business

(ii) Technology upgradation

(iii) Level of collaboration [3 marks]

Solution:

Concept:

- Financial Management: fixed capital refers to funds invested in long-term assets such as land, buildings, plant and machinery.
- The fixed capital requirement depends on the business's operations, the replacement needs of its assets and opportunities for sharing facilities.

Step 1: Nature of the business **Nature of the business:** A trading concern generally requires less fixed capital because it buys and sells goods and does not need manufacturing plant and machinery. A manufacturing concern normally needs more fixed capital to acquire its factory building, plant and machinery. Thus, with other conditions remaining the same, the need to undertake production rather than merely trade in goods increases the investment in fixed assets.

Step 2: Technology upgradation **Technology upgradation:** In industries where assets become obsolete quickly because technology changes rapidly, firms require more fixed capital for frequent replacement and upgradation of assets. For example, computers become obsolete much faster than many other assets. Businesses whose assets can be used for a longer period without becoming obsolete require comparatively less investment for technological replacement.

Step 3: Level of collaboration **Level of collaboration:** Collaboration allows organisations to share facilities instead of each making a separate investment in the same assets. Such sharing reduces each organisation's fixed capital requirement. For example, banks may share ATM facilities, allowing customers of different banks to use the same facility. If an organisation must provide all such facilities independently, its requirement of fixed capital is higher.

Step 4: Conclusion Manufacturing activities and frequent technological replacement generally increase fixed capital requirements. Collaboration through shared facilities reduces the separate fixed-asset investment required by each company.

Quick Tip to Solve: For each factor, state the direction of the effect and its cause: production needs assets, obsolescence requires replacement, and sharing avoids duplicate investment.

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

(i) Cause and effect relationship

(ii) Contingent [4 marks]

Solution:

Concept:

- Principles of Management: features of management principles, specifically their cause and effect relationship and contingent nature.
- Management principles are general guidelines for managerial decisions. Their application takes account of human behaviour and the circumstances of the organisation.

Step 1: (i) Cause and effect relationship

- **Link between action and outcome:** Principles of management indicate the likely relationship between a managerial action, the cause, and its consequences, the effect. They help managers anticipate the probable outcome of a decision rather than act by trial and error.
- **Qualified relationship:** This relationship is not as exact or absolute as in the natural sciences because management deals with human behaviour. The result may differ in apparently similar situations. For example, division of work generally improves efficiency through specialisation, but the actual improvement also depends on employees' skills and other conditions.

Step 2: (ii) Contingent

- **Dependence on circumstances:** The application of a management principle depends on the prevailing situation at a particular point of time. A manager must examine the organisation's needs and the conditions before applying a principle.
- **Adaptation to the situation:** The same principle cannot be applied mechanically in an identical manner everywhere. For example, employees deserve fair and equitable remuneration, but what constitutes fair remuneration depends on the organisation's capacity to pay, the employees' contribution and the wage rates prevailing for comparable work.

Step 3: Conclusion Cause and effect relationships help managers foresee probable outcomes; contingency requires managers to apply principles after considering the particular situation.

Quick Tip to Solve: For each feature, give its meaning and explain its practical qualification: probable outcomes for cause and effect, and prevailing circumstances for contingency.

OR

25(b). Explain the following techniques of scientific management :

(i) Motion Study

(ii) Differential Piece Wage System [4 marks]

Solution:

Concept:

- Principles of Management: Taylor's techniques of scientific management, specifically motion study and the differential piece wage system.
- Scientific management seeks to improve efficiency through the scientific study of work and suitable incentives for workers.

Step 1: (i) Motion Study

- **Study of movements:** Motion study examines the movements involved in performing a particular job, such as lifting objects, putting them down, sitting or changing position. It identifies the movements required to complete the task.
- **Elimination of unnecessary movements:** Productive, incidental and unproductive motions are identified so that unnecessary movements can be eliminated. The workplace and method of work can then be arranged to complete the job with the least necessary movement. This reduces avoidable effort and saves time, thereby improving efficiency. For example, placing frequently used tools within easy reach avoids repeated walking to collect them.

Step 2: (ii) Differential Piece Wage System

- **Two piece rates based on the standard:** Taylor proposed distinguishing between efficient and inefficient workers by setting a standard of output using scientific work study. Workers who reach or exceed the prescribed standard receive a higher wage rate per piece; those who fall below it receive a lower rate per piece.
- **Reward for efficiency:** The difference in piece rates rewards efficient workers and motivates others to achieve the standard. For example, if the standard is 10 units a day, the rate may be Rs 50 per unit for meeting or exceeding it and Rs 40 per unit for falling below it. A worker making 10 units earns Rs 500, while one making 9 earns Rs 360. Thus, the system links earnings to individual output and efficiency.

Step 3: Conclusion Motion study improves the method of working by removing unnecessary movements, while the differential piece wage system encourages workers to attain the standard through a higher piece rate.

Quick Tip to Solve: Keep motion study focused on movements; for differential piece wages, state both the output standard and the higher and lower rates linked to it.

26. State any four responsibilities of a consumer under the Consumer Protection Act, 2019. [4 marks]

Solution:

Concept:

- Consumer Protection: consumer responsibilities. In the NCERT framework, protection is effective when consumers act with awareness, care and honesty while buying and using goods and services.
- Consumer rights are accompanied by responsibilities: an alert consumer checks quality and product information, follows instructions and preserves evidence of the purchase.

Step 1: Responsibilities relating to quality and information

- **Buy standardised goods:** Purchase standardised goods because they provide quality assurance. For example, look for the ISI mark on electrical goods and the Hallmark on jewellery. Check for the relevant quality certification instead of relying only on the seller's claims.
- **Read labels carefully:** Read the label before buying to obtain information about the price, net weight, manufacturing date, expiry date and other relevant product details. This enables an informed choice and helps avoid expired or unsuitable products.

Step 2: Responsibilities relating to use and proof of purchase

- **Follow instructions and understand risks:** Learn about the risks associated with a product and follow the manufacturer's instructions for its safe use. Use the product in the manner intended so that avoidable harm does not arise from careless handling.
- **Ask for a cash memo:** Obtain a cash memo or bill for every purchase of goods or services. Keep it safely because it serves as proof of the purchase and is necessary when seeking redress against a defective product or deficient service.

Step 3: Conclusion Any four responsibilities are: buying standardised goods, reading labels carefully, following instructions for safe use, and obtaining and preserving a cash memo.

Quick Tip to Solve: Recall the buying sequence: check the quality mark, read the label, follow safe-use instructions, and retain the bill.

27. 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:

- Nature and Significance of Management: levels of management and their functions. Top management determines the organisation's overall direction; middle management translates that direction into departmental action.
- The question asks for two additional functions at each person's level. Functions already described in the case should therefore be used to identify the level, rather than repeated as the requested answers.

Step 1: Identify Arjun's and Neha's management levels Arjun works at the **top level of management**. The clues are that he is "analysing the business environment" and is responsible for the "welfare and survival of the organisation". These are organisation-wide responsibilities of top management.

Neha works at the **middle level of management**. She is "heading the marketing department", ensures that her department has the "necessary personnel", and motivates them to achieve objectives. A departmental head links top management with supervisory management.

Step 2: State two additional functions performed by Arjun

- **Formulating overall organisational goals and strategies:** Arjun would determine the long-term objectives of Apex Ltd. and formulate broad strategies to achieve them. These guide the activities and decisions of the whole organisation.
- **Coordinating the activities of different departments:** Arjun would bring together the efforts of departments such as marketing, production and finance so that they work towards common organisational objectives rather than pursuing conflicting departmental interests.

Step 3: State two additional functions performed by Neha

- **Interpreting policies framed by top management:** Neha would interpret the policies of senior management and explain their implications for the marketing department, so that departmental work follows the organisation's intended direction.
- **Assigning duties and responsibilities to personnel:** Neha would allocate work and define the responsibilities of the people in her department, ensuring that each person knows the tasks to be performed for achieving departmental objectives.

Step 4: Conclusion Arjun, at the top level, formulates overall goals and strategies and coordinates departments. Neha, at the middle level, interprets top-management policies and assigns duties and responsibilities to departmental personnel.

Quick Tip to Solve: Identify the level from the scope of responsibility, then give fresh functions: organisation-wide direction for Arjun and departmental implementation for Neha.

28. '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: consumer organisations and NGOs protect consumers through independent testing, collective action, legal support and public-interest litigation.
- When the question asks for other functions, exclude the activities already illustrated in the case: consumer education, publication of periodicals and filing a complaint on behalf of particular consumers.

Step 1: Identify the functions already described The NGO educates consumers by organising 'training programmes, seminars and workshops', publishes information through 'periodicals and other publications', and decides to 'file a complaint on behalf of the consumers' who purchased defective water purifiers. The answer must therefore state four additional functions of a consumer organisation.

Step 2: State four other functions

- **Comparative testing of products:** It can conduct comparative tests of consumer products in accredited laboratories to assess their relative quality. Publishing the test results helps consumers compare brands and make informed purchasing choices.
- **Encouraging consumer protest:** It can encourage consumers to strongly protest and take action against unscrupulous, exploitative and unfair trade practices of sellers. Collective consumer action creates pressure for fair dealing.
- **Providing legal assistance:** It can provide legal assistance to consumers, for example by offering legal advice and aid in seeking redressal. This helps consumers understand and pursue the remedies available against a seller.
- **Initiating cases in the general public interest:** It can take the initiative in filing cases in consumer courts in the interest of the general public, rather than for a particular individual. This is distinct from the case's complaint on behalf of the identified buyers of defective water purifiers.

Step 3: Conclusion The four other functions are comparative product testing, encouraging protest against unfair trade practices, providing legal assistance, and initiating consumer cases in the interest of the general public.

Quick Tip to Solve: First cross out the NGO functions already named in the case; distinguish a complaint for identified buyers from a case initiated in the general public interest.

29. 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. [4 marks]

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

Solution:

Concept:

- Marketing Management: physical distribution concerns the physical movement of goods from the producer to the consumer. Its components include order processing, transportation, warehousing and inventory control.
- The relevant component is identified by the activity performed: handling order information is order processing, while moving the goods between places is transportation.

Step 1: Identify order processing **Order processing:** Rhea "immediately checked the order details and processed it". The case also stresses "accurate and speedy processing of orders". This component involves handling the customer's order accurately and promptly so that the correct quantity and specifications can be supplied on time. The reference is to processing the order information before dispatch.

Step 2: Identify transportation **Transportation:** Rhea "arranged a vehicle to pick up the cartons from her workshop". The vehicle physically moved the candles from the place of production to the gift chain's warehouse. The case's reference to goods being "physically moved from the place of production to the place of sale" directly identifies transportation. Mention of the destination warehouse does not by itself establish that Rhea managed storage there.

Step 3: Conclusion The two components of physical distribution managed effectively by Rhea were **order processing** and **transportation**.

Quick Tip to Solve: Link checking order details to order processing and the vehicle moving cartons to transportation.

29(b). Explain the other two components of physical distribution that Rhea needs to work on.

Solution:

Concept:

- Marketing Management: the four components of physical distribution are order processing, transportation, warehousing and inventory control. Having identified the first two in the case, the other two are warehousing and inventory control.

- Warehousing creates time utility by storing goods until needed. Inventory control determines the level of stock to be maintained for meeting demand while controlling the cost of holding stock.

Step 1: Explain warehousing **Warehousing:** This is the storage of goods between their production and their sale or use. Goods are often not sold immediately after production, so storage bridges the time gap and makes goods available when customers require them. Rhea can arrange suitable storage for finished candles produced before Diwali, protecting them until dispatch. This is particularly relevant because the case says that demand "increases a lot" during the festival season.

Step 2: Explain inventory control **Inventory control:** This involves deciding and maintaining an appropriate level of stock. Adequate stocks help a business meet orders promptly and avoid shortages, but excessive stocks increase storage costs and tie up funds. Rhea needs to plan candle stocks in relation to expected festive demand and the time required to replenish them. She should balance customer service against the cost of carrying inventory; simply accumulating the largest possible stock would not be efficient.

Step 3: Conclusion The other two components are **warehousing**, which stores goods until needed, and **inventory control**, which maintains an appropriate stock level to meet demand economically.

Quick Tip to Solve: Distinguish where and when goods are stored, warehousing, from how much stock is maintained, inventory control.

30. '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 deals in existing securities and provides a continuous market for their purchase and sale.
- A stock exchange provides liquidity and marketability to existing securities, and safety of transactions through a regulated trading framework.

Step 1: (a) Name the market **Secondary market (stock exchange):** Rajan sold shares that he had purchased many years earlier. The words 'He sold some of the shares to arrange money for his daughter's higher education' describe the resale of existing securities. Such trading takes place in the secondary market, where existing investors can sell their securities to other investors. It is not a fresh

issue of shares by Neo Appliances Ltd.

Step 2: (b) Identify and explain the function facilitating the sale **Providing liquidity and marketability to existing securities:** The stock exchange provides a continuous market where securities can be bought and sold. Investors can disinvest and reinvest whenever they desire. This gives investors the opportunity to convert securities into cash without withdrawing the funds invested in the company. Rajan used this facility when he sold some of his existing shares to obtain money for his daughter's education. Thus, an investment in shares need not tie up an investor's money permanently.

Step 3: (c) Explain safety of transactions **Safety of transactions:** Only securities of listed companies are traded on the stock exchange. A company's name is included in the trade list only after the stock exchange authorities are satisfied with its bona fides. The companies must operate within a well-defined legal framework, which ensures that the investing public gets a safe and fair deal. Transactions are therefore conducted within an established regulatory framework. This explains Rajan's statement that 'this market provides safety of transactions to investors'. Such safety concerns fair and regulated transactions; it does not guarantee that the market price of a share will always rise.

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) Listing requirements and a well-defined legal framework provide safety of transactions.

Quick Tip to Solve: Identify resale of old shares as secondary-market trading; link the seller's need for cash to liquidity, and safety to listing and legal regulation.

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 policies and status, personal reluctance to communicate, and psychological lack of attention.
- The specific obstacle in each quoted case detail determines the barrier.

Step 1: Identify the organisational barriers

- **Organisational policy:** Explicit or implicit organisational policies that do not support a free flow of communication can hamper its effectiveness. A highly centralised organisation may not encourage employees to communicate freely. The case states that Alpha Electronics had a 'highly centralised pattern where free communication was not encouraged'. This policy restricted open communication about the production problem.
- **Status:** The status of a superior can create a psychological barrier between the superior and subordinates. A status-conscious manager may not allow subordinates to express their feelings freely. Suresh 'was conscious of his seniority and position so he rarely encouraged his subordinates to speak freely'. This discouraged Manoj from speaking openly.

Step 2: Identify the personal and psychological barriers

- **Unwillingness to communicate:** This is a personal barrier. Subordinates may not be prepared to communicate with their superiors if they perceive that the information may adversely affect their interests. Manoj knew that the production line had been damaged through his own negligence and 'thought sharing it with his senior, Suresh, would adversely affect his interests'. He therefore withheld information needed to diagnose the fault.
- **Lack of attention:** This is a psychological barrier. When the receiver is preoccupied, failure to listen attentively obstructs effective communication. Manoj saw that Suresh 'was pre-occupied with an important file before him' and later felt that Suresh 'wasn't listening to him'. His divided attention obstructed understanding and delayed rectification of the fault.

Step 3: Conclusion The four barriers are organisational policy, status, unwillingness to communicate, and lack of attention. Together, they obstructed the free and complete communication needed to rectify the production line on time.

Quick Tip to Solve: Match each clue to its precise barrier: centralisation to policy, seniority to status, fear of personal harm to unwillingness, and the distracting file to lack of attention.

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

(i) Planning reduces creativity

(ii) Planning leads to rigidity

(iii) Planning does not guarantee success [6 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It provides direction, but its limitations can restrict initiative and flexibility.
- NCERT, Planning: the limitations tested here are reduction of creativity, rigidity and the absence of any guarantee of success.

Step 1: (i) Planning reduces creativity

- **Planning reduces creativity:** In many organisations, top management formulates the plans and

the other levels are expected to implement them. Middle and lower-level managers must work within the framework already laid down, even when they have ideas of their own.

- As a result, employees tend to carry out orders instead of thinking independently or developing new ways of performing their work. They are neither encouraged to formulate plans nor given much opportunity to take initiative. This reduces individual creativity and innovative thinking in the organisation.

Step 2: (ii) Planning leads to rigidity

- **Planning leads to rigidity:** Plans specify the course of action to be followed, and managers may feel bound to follow that course strictly. Once a plan has been drawn up, changing it may be difficult, even when circumstances require a different approach.
- Such inflexibility can prevent managers from using their discretion to deal with changed conditions. An organisation needs the flexibility to cope with changes in its environment; excessive commitment to a predetermined plan may therefore work against its interests.

Step 3: (iii) Planning does not guarantee success

- **Planning does not guarantee success:** The mere preparation of a plan does not ensure that organisational objectives will be achieved. Success also requires the plan to be translated into action and implemented properly.
- Managers sometimes rely on plans that worked in the past, believing that the same approach will succeed again. However, conditions may have changed, so a previously successful plan may fail in a new situation. Managers must analyse current circumstances, prepare suitable plans and follow through with effective implementation instead of treating planning itself as a guarantee of results.

Step 4: Conclusion Planning may reduce employees' creativity, create inflexibility and still fail to ensure success. Managers must encourage initiative, allow suitable adjustments and implement plans effectively.

Quick Tip to Solve: Link creativity to restricted initiative, rigidity to inflexibility, and success to proper implementation and changing circumstances.

OR

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

(i) Adaptation to change

(ii) Effective administration

(iii) Expansion and growth [6 marks]

Solution:

Concept:

- Organising identifies and groups the work to be done, assigns duties and establishes authority and reporting relationships so that people work together towards common objectives.
- NCERT, Organising: a suitable organisation structure facilitates adaptation to change, effective administration, and expansion and growth.

Step 1: (i) Adaptation to change

- **Adaptation to change:** A properly designed organisation structure is flexible enough to accommodate changes in the business environment. It allows management to make suitable changes in jobs, departments and relationships when new circumstances arise.
- The structure can be modified and managerial levels can be changed to meet new requirements. At the same time, clear relationships provide stability and help the enterprise continue its operations. Organising thus supports continuity while allowing the business to respond to external changes and survive and grow.

Step 2: (ii) Effective administration

- **Effective administration:** Organising clearly describes the jobs to be performed and the related duties. Each employee knows what work is expected, what authority is available and to whom he or she is accountable.
- Clear working relationships reduce confusion, duplication of effort and overlapping responsibilities. They also make it easier to assign responsibility for results. With duties and authority properly defined, employees and departments can coordinate their work, enabling management to administer the enterprise more effectively.

Step 3: (iii) Expansion and growth

- **Expansion and growth:** Organising provides the structure through which an enterprise can enlarge its operations. Existing arrangements can be extended or modified, and additional jobs, departments and managerial positions can be created to handle increased work.
- A sound structure makes it possible to take up new product lines and enter new geographical areas without losing clarity of duties or coordination. Appropriate assignment of work and authority enables the enterprise to manage these additional activities. Organising therefore helps the business expand and grow in an orderly manner.

Step 4: Conclusion Organising helps the enterprise adjust to environmental changes, administer work through clear duties and relationships, and support expansion into additional products and geographical areas.

Quick Tip to Solve: Explain each benefit through the organisation structure: modify it for change, clarify duties for administration, and extend it for growth.

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:

- Financial Management: A dividend decision determines how much of the profit is distributed to shareholders and how much is retained for reinvestment in the business.
- Earnings and stock market reaction can support a higher dividend, while contractual constraints, cash flow position and growth opportunities may restrict the amount distributed.

Step 1: (a) Factors supporting the Board's preference for a high dividend

- **Amount of earnings:** Dividends are paid out of current and past earnings. Other things remaining the same, higher earnings increase the company's capacity to declare a higher dividend. The case states that "the profits of the company increased manifold" after its new range of baked snacks became popular. This increase in earnings encouraged the Board to consider distributing a larger dividend to shareholders.
- **Stock market reaction:** Investors generally regard an increase in dividend as good news, and stock prices usually react positively to it. A reduction in dividend may have the opposite effect. Management therefore considers the likely reaction of investors and the share market when deciding the dividend. The case explicitly says that "stock prices react positively to it", which explains the Board's preference for a high dividend.

Step 2: (b) Factors highlighted by the Chief Finance Officer Any two of the following factors may be explained:

- **Contractual constraints:** A company may have to accept restrictions on dividend payments while obtaining a loan. It must comply with these conditions when declaring dividends. Here, the loan contains "a clause that imposes restriction on the payment of dividend". The Board must therefore

check the loan terms before deciding the amount it can distribute.

- **Cash flow position:** Payment of dividend involves an outflow of cash. A company must have sufficient cash available, even when its accounts show high profits. In this case, "a large amount of money was tied to the amounts receivables from the debtors". These receivables have not yet provided cash, so the company may be unable to pay a high dividend immediately.
- **Growth opportunities:** Companies with good growth opportunities need funds to finance expansion and generally retain a larger proportion of earnings. Quality Foods Ltd. was "planning to expand into the breakfast cereal market", and the project requires a huge investment. Retaining earnings would help finance this expansion and reduce the amount available for dividend.

Step 3: Conclusion (a) Amount of earnings and stock market reaction favour a high dividend. (b) Contractual constraints and cash flow position are two valid considerations raised by the Chief Finance Officer; growth opportunities is another valid factor.

Quick Tip to Solve: Match each clue to the decision factor: profits to earnings, share prices to stock market reaction, loan clauses to contractual constraints, debtors to cash flow, and expansion to growth opportunities.

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

(i) Selection

(ii) Promotion and Career Planning

(iii) Compensation [6 marks]

Solution:

Concept:

- Staffing: The staffing process fills and keeps filled the positions in an organisation with suitable people. Selection, promotion and career planning, and compensation are important steps in this process.
- Selection matches people with jobs, promotion and career planning provide opportunities for advancement, and compensation determines the payment and rewards employees receive.

Step 1: (i) Selection

- **Choosing the best candidate:** Selection is the process of choosing, from among the applicants, the person most suitable for a particular position. It matches the requirements of the job with the qualifications, abilities and competence of the candidate so that the right person is appointed to the right job.
- **Assessing suitability:** The organisation uses a series of assessment steps, such as employment tests and interviews, along with verification of relevant information and other checks as required. Candidates who do not meet the requirements are eliminated, and the most suitable candidate receives the offer of employment. Careful selection helps secure competent employees and improves their contribution to organisational performance.

Step 2: (ii) Promotion and career planning

- **Promotion to higher positions:** Promotion involves placing an employee in a position carrying

greater responsibilities. It generally brings higher status, increased authority and better pay. It allows the organisation to recognise employees' abilities and achievements and to use their experience in more responsible roles.

- **Planning future growth:** Career planning considers the employee's career expectations and provides opportunities for progress through the organisation. Managers should design work and development opportunities that help employees learn and grow towards their potential. Clear prospects for advancement encourage employees to improve their performance, remain motivated and contribute to the organisation over time.

Step 3: (iii) Compensation

- **Determining employee payments:** Compensation refers to all forms of pay or rewards given to employees. This step involves deciding the wages, salaries, incentives and other benefits payable for the work performed. Both direct financial payments and indirect benefits form part of compensation.
- **Establishing equitable rewards:** Pay plans should be appropriate to the worth and responsibilities of the job and the contribution expected from employees. Direct payment may be linked to time worked, such as wages or salary, or to performance, such as commission or incentives. Indirect payments include benefits such as employer-paid insurance. A fair and competitive compensation system helps attract, motivate and retain suitable personnel.

Step 4: Conclusion Selection appoints the most suitable candidate, promotion and career planning support advancement and development, and compensation fixes the pay and rewards for employees' services.

Quick Tip to Solve: Explain each staffing step through its purpose and its operation: choosing suitable people, providing advancement, and deciding pay and benefits.

OR

34(b). Explain the following external sources of recruitment :

(i) Direct Recruitment

(ii) Casual Callers

(iii) Labour Contractors

(iii) Labour Contractors [6 marks]

Solution:

Concept:

- Staffing: recruitment is the process of searching for prospective employees and encouraging them to apply for jobs in an organisation.
- External sources of recruitment bring applicants from outside the organisation. Direct recruitment, casual callers and labour contractors differ in how prospective workers are approached and made available.

Step 1: (i) Direct Recruitment: meaning and procedure **Notice at the workplace:** Under direct

recruitment, a notice is placed on the notice board of the enterprise specifying the details of the jobs available. Job seekers assemble outside the premises on the specified date. The organisation selects suitable persons from those who present themselves and appoints them to the available jobs.

Step 2: Direct Recruitment: suitability **Useful for casual vacancies:** This source is generally used for casual vacancies involving unskilled or semi-skilled jobs. Such workers are commonly called casual or 'badli' workers. It helps an enterprise meet a sudden demand for labour, such as extra loading work. Since recruitment takes place at the premises without a lengthy search, its cost is low; however, the organisation selects from the people who turn up.

Step 3: (ii) Casual Callers: meaning and procedure **Unsolicited applications:** Many reputed business organisations receive applications from job seekers even when they have not advertised a vacancy. These applicants are casual callers. The enterprise keeps a database or file of such unsolicited applications and examines it when a suitable vacancy arises, contacting applicants whose qualifications match its requirements.

Step 4: Casual Callers: usefulness **Ready pool of prospective employees:** This source provides a list of prospective employees from which an organisation can fill vacancies as they arise. It can reduce the time and cost of recruiting staff because suitable applicants may already be on record. For example, a business needing a clerk can first consult the applications it has received voluntarily instead of immediately issuing a fresh advertisement.

Step 5: (iii) Labour Contractors: meaning and procedure **Recruitment through intermediaries:** Labour contractors maintain close contacts with workers and can provide the required number at short notice. The enterprise approaches a contractor for its labour requirements, and the contractor brings workers to it. Workers recruited through this source are generally unskilled workers, and contractors commonly arrange labour for construction and similar work.

Step 6: Labour Contractors: usefulness and limitation **Quick supply with dependence on the contractor:** This source is useful when a large number of workers must be obtained quickly. However, the workers usually have close personal links with the contractor. If the contractor leaves the organisation, the workers employed through that contractor may also leave. The enterprise therefore faces a risk of disruption because its labour supply depends on that intermediary.

Step 7: Conclusion Direct recruitment selects workers who assemble at the enterprise after a vacancy notice; casual callers provide a pool of unsolicited applicants; and labour contractors supply workers through their contacts, often at short notice.

Quick Tip to Solve: Link each source with its identifying feature: a notice at the factory gate, unsolicited applications kept on file, or workers supplied by a contractor.