CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/4/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This question paper contains **34** questions. **All** questions are **compulsory**.
(ii) Marks are indicated against each question.
(iii) Answers should be brief and to the point.
(iv) Answers to 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. '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 stability of personnel requires reasonable job tenure so employees can learn their duties and contribute effectively.
- Frequent transfers or premature removal waste recruitment and training efforts and weaken organisational efficiency.

Step 1: Identify the case evidence The decision to keep employees in the same position for a 'minimum tenure' and give them 'sufficient time to show results' gives employees the time needed to settle into their roles. These are the decisive indicators of stability of personnel.

Step 2: Check the other principles Order means the right person and material in the right place. Division of work concerns specialisation. Authority and responsibility require a balance between the right to command and the duty to perform. None specifically explains adequate tenure or reduced employee turnover.

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

Quick Tip to Solve: Link a minimum tenure and time to settle into a job directly with stability of personnel.

2. 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 with planning and continues through organising, directing and controlling.
- Coordination integrates interdependent activities over time so that individual and departmental efforts support the common objective.

Step 1: Trace coordination through the activities Rohit prepares plans in June, then ensures workers are available, 'continuously monitors' progress and informs marketing in time. Coordination therefore continues from planning production to arranging resources, monitoring work and preparing the sale.

Step 2: Eliminate the alternatives All-pervasive refers to coordination across departments and management levels; responsibility of all managers refers to who coordinates. Deliberate means conscious effort to integrate work. Although purposeful effort occurs here, the sequence extending through successive activities specifically highlights continuity.

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

Quick Tip to Solve: When a case follows coordination from planning through monitoring, identify its continuous nature.

3. 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: a divisional structure groups activities around products, with each division containing the functions needed for its product.
- Its relatively self-contained divisions facilitate expansion because a new product division can be added without disrupting existing divisions.

Step 1: Identify the divisional advantage Adding a new division allows the organisation to expand its product range while existing divisions continue their operations. This is the specific expansion-and-growth advantage of the divisional structure described in option (A).

Step 2: Check every other statement Option (B), managerial and operational efficiency through functional specialisation, is an advantage of functional structure. Option (C), easier training in a limited range of skills, also describes functional specialisation. Option (D), control and coordination through similar departmental tasks, likewise belongs to functional structure.

Step 3: Conclusion The correct advantage is expansion and growth through adding divisions. Hence, the correct option is (A).

Quick Tip to Solve: Separate product divisions suggest expansion; similar specialised tasks suggest functional structure.

4. 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 occurs at every management level that has subordinates, continues throughout organisational life and initiates action.

Step 1: Test the statement about management levels Top managers direct middle managers, middle managers direct lower-level managers, and supervisors direct workers. Thus directing takes place at every level where superior-subordinate relationships exist. Restricting it to top management is incorrect.

Step 2: Check the remaining features Option (A) is a true feature because employees need ongoing guidance and motivation. Option (B) is true because directions flow from a superior to subordinates, from top to bottom. Option (D) is true because directing turns plans and organised resources into action. Since the question asks for the incorrect statement, these true features cannot be selected.

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

Quick Tip to Solve: Circle the word incorrect first, then test whether directing applies to supervisors as well as top managers.

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

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

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

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

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

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

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

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

Solution:

Concept:

- Directing: non-financial incentives meet psychological, social and development needs rather than providing direct monetary rewards.
- Job security, job enrichment, career advancement opportunities and employee participation are distinct non-financial incentives.

Step 1: Match each incentive with its meaning Job security provides stability about future income and work: 1-(iii). Job enrichment designs jobs with greater variety and higher knowledge and skill requirements: 2-(iv). Career advancement opportunity provides skill development and promotion: 3-(ii). Employee participation involves employees in decisions concerning them: 4-(i).

Step 2: Check the option combinations Option (A) contains all four correct matches. Option (B) interchanges enrichment and participation. Option (C) wrongly pairs job security with enriched work and enrichment with stability. Option (D) misidentifies all four meanings. The complete mapping, rather than a single familiar pair, determines the answer.

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

Quick Tip to Solve: Match security with stability and participation with decisions before checking the enrichment and promotion pairs.

6. Read the following statements carefully :

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

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

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

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

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

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

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

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

Solution:

Concept:

- Marketing Management: the production concept assumes consumers prefer products that are widely available and affordable.
- The selling concept assumes customers need to be convinced and motivated through selling and promotional effort to buy enough.

Step 1: Evaluate Statement I Statement I attributes the need to convince and motivate customers to the production concept. That assumption belongs to the selling concept. Production instead emphasises availability and affordability through production efficiency; therefore Statement I is false.

Step 2: Evaluate Statement II and the options Statement II attributes preference for widely available, affordable products to the selling concept. This is the production concept assumption, so Statement II is also false. Option (A) wrongly accepts Statement I; option (B) wrongly accepts Statement II; option (D) wrongly accepts both. Only option (C) rejects both incorrect attributions.

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

Quick Tip to Solve: Affordable and widely available means production; convincing customers to buy means selling.

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

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

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

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

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

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

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

Solution:

Concept:

- Controlling: standards provide the benchmark against which actual organisational performance is evaluated.
- After setting standards, managers measure actual performance, compare it with standards, analyse deviations and take corrective action.

Step 1: Arrange the subsequent steps logically Measurement of actual performance must come first because a comparison needs actual results. Comparison then identifies deviations. Managers analyse the significant deviations and their causes before deciding the corrective action necessary to bring performance into line with standards.

Step 2: Test each sequence Option (B) preserves measurement, comparison, analysis and correction in that order. Option (A) compares before measuring and corrects before analysis. Option (C) takes corrective action before comparison and analysis. Option (D) analyses deviations before actual performance is measured and compared. Each of these disrupts the logical controlling process.

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

Quick Tip to Solve: Remember the sequence: measure, compare, analyse, correct; causes must be understood before correction.

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

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

(A) Operating efficiency

(B) Inflation

(C) Availability of raw material

(D) Production cycle

Correct Answer: (C) Availability of raw material

Solution:

Concept:

- Financial Management: availability of raw material affects the stock that must be maintained and hence the working capital required.
- Lead time is the time between placing an order for raw material and receiving its delivery.

Step 1: Identify the factor from the quotation The words 'the larger the lead time, the larger the quantity of material to be stored' link working capital with the availability of raw material. A longer delivery period requires a larger stock so that production can continue while the next order is awaited.

Step 2: Check the other options (A) Operating efficiency concerns efficient use of resources and reduction of waste. (B) Inflation raises the prices of inputs. (D) Production cycle concerns the time taken to convert raw material into finished goods. None describes the delay in obtaining raw material stated here.

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

Quick Tip to Solve: When the clue is the time between ordering material and receiving it, identify availability of raw material.

---

9. Read the following statements carefully :

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

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

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

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

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

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

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

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

Solution:

Concept:

- Controlling: planning and controlling are interdependent functions, and both have forward-looking and backward-looking aspects.

- Planning prescribes the course of action; controlling evaluates actual performance against planned standards.

Step 1: Evaluate Statement I Statement I is true. Planning prepares for future action but also uses past experience and information from control. Controlling compares completed performance with standards, yet its corrective action helps improve future performance. Both therefore look backward as well as forward.

Step 2: Evaluate Statement II and the alternatives Statement II is false because the terms are reversed: planning is prescriptive and controlling is evaluative. Thus (B), which makes I false and II true, is incorrect; (C) wrongly accepts II; and (D) wrongly rejects I.

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

Quick Tip to Solve: Remember the direction of the terms: planning prescribes action, while controlling evaluates performance.

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

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

(A) Management creates a dynamic organisation

(B) Management helps in achieving personal objectives

(C) Management helps in the development of a society

(D) Management increases efficiency

Correct Answer: (D) Management increases efficiency

Solution:

Concept:

- Nature and Significance of Management: management increases efficiency by reducing costs and increasing productivity through better use of resources.
- Efficiency means completing activities with minimum cost and minimum wastage of resources.

Step 1: Connect the case to the concept Dinkar rearranges work, assigns tasks according to skills, gives clearer directions and controls activities. The decisive words are 'cost reduction' and 'increased productivity and profits'. These show that management increases efficiency through better utilisation of resources.

Step 2: Eliminate the remaining options (A) A dynamic organisation focuses on adapting to environmental change. (B) Personal objectives concern employees' individual needs and goals. (C) Development of society concerns wider social benefits such as employment and quality goods. The case instead emphasises lower costs and higher productivity.

Step 3: Conclusion The importance highlighted is that management increases efficiency. Hence, the

correct option is (D).

Quick Tip to Solve: Pair the clues lower cost and greater productivity with the importance of management called increased efficiency.

11. _____ is a detailed statement about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action. [1 mark]

(A) Rule

(B) Strategy

(C) Programme

(D) Procedure

Correct Answer: (C) Programme

Solution:

Concept:

- Planning: a programme is a detailed statement about a project combining objectives, policies, procedures, rules, tasks, resources and a budget.
- A programme coordinates the various requirements needed to implement a particular course of action.

Step 1: Recognise the comprehensive project plan The statement lists objectives, policies, procedures, rules, tasks, human and physical resources, and the budget for a project. A programme brings all these elements together in a detailed plan of implementation.

Step 2: Distinguish the other plans (A) A rule states a specific action that must or must not be taken. (B) A strategy is a comprehensive plan for achieving organisational objectives, taking the business environment into account. (D) A procedure specifies the sequence of routine activities. These do not match the detailed project statement given.

Step 3: Conclusion The required type of plan is a programme. Hence, the correct option is (C).

Quick Tip to Solve: A detailed project plan that combines tasks, resources and budget with other plans is a programme.

12. '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 states expected results in numerical terms and serves as a basis for comparison with actual results.
- A budget may express requirements in physical units, such as labour hours or number of workers, as well as in money.

Step 1: Identify the numerical estimate The Production Manager 'estimated the number of workers required during peak production days'. This is a numerical estimate of the manpower required for anticipated production and therefore represents a budget. A budget need not be expressed only in rupees.

Step 2: Eliminate the other types of plans (B) A policy provides general guidance for decision-making. (C) A method specifies the prescribed way of performing a task. (D) An objective is an end to be achieved. The highlighted action is quantifying the resources needed, rather than stating guidance, a way of working or an intended end.

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

Quick Tip to Solve: Numerical estimates of labour, output or expenditure indicate a budget even when no money amount is given.

13. 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: the financing decision considers the relative cost and risk of debt and equity.
- Debt generally costs less than equity because lenders bear lower risk; interest also provides a tax advantage to the firm.

Step 1: Judge Assertion (A) Assertion (A) is false. The cost of debt is generally lower than the cost of equity. Equity shareholders face greater uncertainty of return and repayment, so they require a higher return for bearing that risk.

Step 2: Judge Reason (R) Reason (R) is true. Lenders have a contractual claim to interest and repayment of capital, whereas equity dividends depend on earnings and the dividend decision. Lenders also have priority over equity shareholders in repayment, so their risk is lower.

Step 3: Test the relation and the alternatives The reason supports a lower cost of debt, which is the reverse of the assertion. Options (A) and (B) wrongly treat the assertion as true, while (C) both accepts the false assertion and rejects the true reason. Only (D) gives the correct truth values.

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

Quick Tip to Solve: First compare the risk borne by lenders and equity holders; lower lender risk points to a lower cost of debt.

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

(A) It helps in coping with rapid changes

(B) It helps in tapping useful resources

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

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

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

Solution:

Concept:

- Business Environment: understanding the environment helps enterprises cope with changes, tap useful resources, and formulate plans and policies.
- Political stability and confidence encourage long-term investment; increasing political instability is not an importance of studying the business environment.

Step 1: Check the valid benefits (A) is valid because environmental understanding helps managers respond to rapid technological, market and other changes. (B) is valid because the environment supplies resources that firms can identify and obtain. (C) is valid because awareness of opportunities and threats supports planning and policy formulation.

Step 2: Identify the incorrect claim (D) is incorrect. Understanding the business environment does not increase political instability. Moreover, instability creates uncertainty and weakens confidence in long-term investment; political stability is conducive to that confidence. The statement therefore contradicts the benefit it claims.

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

Quick Tip to Solve: For an incorrect-statement question, check whether each claimed benefit actually supports business confidence and decisions.

15. 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: levels of packaging distinguish the immediate product container from additional protective packaging and bulk transportation packaging.
- Primary packaging directly contains the product; secondary packaging provides an additional layer outside the primary package.

Step 1: Identify what the outer pouch contains The question states that the pouch "contains packets of different flavours of chips". Each individual packet is the immediate container of the chips and therefore constitutes primary packaging. The outer pouch groups these already packaged products and provides an additional layer of protection. It is therefore secondary packaging.

Step 2: Check the remaining options **Primary:** Option (A) describes the individual chips packets, not the outer pouch. **Transportation:** Option (C) refers to further packaging, such as cartons or crates, used for storage, identification and transportation; the pictured retail grouping is not that level. **General:** Option (D) is not one of the three NCERT levels of packaging.

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

Quick Tip to Solve: First identify the package touching the product; an extra pouch around those packets is secondary packaging.

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 15.

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

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

(A) Advertising

(B) Personal Selling

(C) Sales Promotion

(D) Public Relations

Correct Answer: (D) Public Relations

Solution:

Concept:

- Marketing Management: public relations is a promotion tool involving programmes that promote or protect a company's image and its individual products in the eyes of the public.
- The promotion mix also includes advertising, personal selling and sales promotion, each serving a distinct purpose.

Step 1: Match the statement to the promotion tool The decisive words are "promote or protect a company's image and its individual products in the eyes of the public". These describe **public relations**, which seeks favourable public opinion and goodwill towards the business and its products. The statement is the NCERT description of this promotion tool.

Step 2: Eliminate the other promotion tools **Advertising:** Option (A) involves paid, non-personal presentation and promotion by an identified sponsor. **Personal selling:** Option (B) involves personal interaction with prospective buyers to make sales. **Sales promotion:** Option (C) uses short-term incentives, such as discounts or free samples, to encourage purchases. None of these describes the variety of programmes aimed at protecting the company's public image in the quoted statement.

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

Quick Tip to Solve: Link references to public image, goodwill and protecting reputation directly with public relations.

16. '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 of the business environment.
- Identify the precise textbook feature or reporting relationship from the words of the question.

Step 1: Identify the clue in the statement The statement says that the environment 'differs from country to country and even region to region'. Relativity means that business environment is a relative concept: the conditions surrounding enterprises vary across countries and regions. The same business may therefore face different social customs, government policies or market conditions in different places.

Step 2: Eliminate the other features Complexity refers to the many interrelated forces that are difficult to understand together. Uncertainty refers to difficulty in predicting future changes. Dynamic nature means that the environment keeps changing over time. None of these specifically identifies the geographical differences emphasised here.

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

Quick Tip to Solve: When the clue compares countries or regions, identify relativity; when it compares different times, consider dynamic nature.

---

17. '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.
- Identify the precise textbook feature or reporting relationship from the words of the question.

Step 1: Identify the intellectual activity The words 'application of mind involving foresight, intelligence imagination and sound judgement' describe thinking before taking action. Planning is a mental exercise because managers think logically and systematically about goals and the actions needed to achieve them, using judgement rather than guesswork.

Step 2: Compare the other alternatives Planning is futuristic because it looks ahead, but foresight alone is only part of the quoted description. Decision-making concerns choosing among alternative courses of action; the statement does not stress that choice. Continuity means preparing and revising plans repeatedly, which is also not the emphasis here.

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

Quick Tip to Solve: A cluster of words such as intelligence, imagination and judgement points directly to planning as a mental exercise.

---

18. 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: positive and negative motivation; motivation as a complex process.
- Identify the precise textbook feature or reporting relationship from the words of the question.

Step 1: Judge the assertion Assertion (A) is true. Positive motivation uses rewards, appreciation or other incentives to encourage desired performance. Negative motivation uses fear of an undesirable consequence, such as a warning or punishment, to induce a person to act. Motivation can therefore operate in either form.

Step 2: Judge the reason Reason (R) is also true. People differ in their expectations, perceptions and reactions. Consequently, a motivational technique that encourages one employee may not have the same effect on another. This is why motivation is regarded as a complex process.

Step 3: Test the explanatory relationship The reason explains the complexity of motivation, rather than why motivation is positive or negative. The two statements describe separate features. Option (A) wrongly claims an explanatory link; (C) wrongly declares both statements false; and (D) wrongly declares the reason false.

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

Quick Tip to Solve: For assertion-reason items, match the reason to the exact feature asserted, even when both statements are true.

19. 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 of authority and accountability.
- Identify the precise textbook feature or reporting relationship from the words of the question.

Step 1: Identify the superior-subordinate relationship Sharad 'assigned the task of completing an urgent order to Anita'. Anita received the authority to plan the work and meet the deadline. She is consequently answerable to Sharad for the result. Accountability is the obligation of a subordinate to explain the outcome to the immediate superior.

Step 2: Apply the rule that accountability cannot be delegated Anita's further assignment to Rohit does not remove her own accountability to Sharad. Rohit must answer to Anita for the work entrusted to him, but Anita remains accountable to Sharad. Thus Rohit alone and both together are incorrect for this particular reporting relationship. Sharad is not accountable to himself for Anita's assigned task.

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

Quick Tip to Solve: Trace the immediate superior who entrusted the task: passing the work onward never removes the subordinate's accountability to that superior.

20. 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: consumer redressal machinery and appellate hierarchy.
- Identify the precise textbook feature or reporting relationship from the words of the question.

Step 1: Identify the original forum Kabir paid Rs 2 crores for the car. The appropriate original forum for this value is the State Commission. The case says that he 'was not satisfied with the orders of this court', so the question concerns an appeal against its order, rather than a fresh original complaint.

Step 2: Move to the next appellate level An appeal against an order of the State Commission lies before the National Commission. The District Commission is a lower forum, so (A) is incorrect. The State Commission is the original forum here, so (B) does not give the next appellate level. The Supreme Court hears the relevant appeals from the National Commission and is not the immediate appellate forum for the State Commission order, ruling out (D).

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

Quick Tip to Solve: First identify the commission that heard the original complaint, then move one level upward for the appeal.

21(a). State any three points of difference between Formal organisation and Informal organisation. [3 marks]

Solution:

Concept:

- Organising: formal organisation is the deliberately designed structure of authority and responsibility created by management to achieve organisational objectives.
- Informal organisation is the network of social relationships that arises spontaneously through interaction among employees.

Step 1: Choose comparable bases The two organisations coexist within an enterprise. Compare them on the same basis: their origin, the source of authority and the flow of communication. Formal organisation emphasises prescribed roles; informal organisation reflects personal relationships among the people occupying those roles.

Step 2: State three differences

Basis	Formal organisation	Informal organisation
Origin	Created deliberately by management through the formal organisation structure.	Arises spontaneously from social interaction among employees.
Authority	Authority arises from the position a person occupies in the management hierarchy.	Authority arises from personal qualities and acceptance by members of the group.
Communication	Communication follows the officially prescribed channels and chain of command.	Communication takes place through independent channels, without a prescribed route or direction.

Step 3: Conclusion Formal and informal organisation differ in origin, the source of authority and the channels through which communication flows.

Quick Tip to Solve: Use identical bases in both columns: deliberate versus spontaneous origin, position versus personal acceptance, and prescribed versus independent communication.

OR

21(b). State any three points of difference between Divisional structure and Functional structure of an organisation. [3 marks]

Solution:

Concept:

- Organising: a functional structure groups activities according to functions such as production, finance, marketing and personnel.
- A divisional structure groups activities into separate product divisions; each division generally has its own functional departments.

Step 1: Identify the basis of grouping A functional structure brings similar specialised activities together for the whole organisation. In a divisional structure, each product division brings together the functions needed for that product. This distinction explains the differences in specialisation and in fixing responsibility for product performance.

Step 2: State three differences

Basis	Divisional structure	Functional structure
Formation	Activities are grouped on the basis of products, with a separate division for each major product.	Activities are grouped on the basis of functions, such as production, finance and marketing.
Specialisation	Promotes product specialisation because each division focuses on its own product line.	Promotes functional specialisation because each department focuses on one specialised function.
Responsibility	Responsibility for product performance can be fixed readily because each division handles the activities related to its product.	Responsibility for a particular product's performance is difficult to fix because several functional departments contribute to it.

Step 3: Conclusion Divisional and functional structures differ in their basis of formation, type of specialisation and ease of fixing responsibility for product performance.

Quick Tip to Solve: Keep the question's column order: divisional means product-based grouping; functional means grouping by specialised activities.

22. '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 includes political conditions, government stability and the attitudes of political authorities towards business.
- The legal environment includes laws, administrative orders, court decisions and regulations within which a business must operate.

Step 1: Identify and explain the political environment **Political environment:** 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." Political stability reduces uncertainty about the continuity of government and its policies. It creates confidence among business people to commit resources to long-term projects. Hence, Tiva Motors' consideration of a stable government while choosing the location highlights the political environment.

Step 2: Identify and explain the legal environment **Legal environment:** The case refers to "rules and regulations framed by the government" and the decision to "obtain licences under environmental laws and necessary permissions from the government departments." These are statutory requirements that govern business operations. A business must have adequate knowledge of the applicable laws and comply with the required licences and permissions before commencing its activities. Tiva Motors' decision to obtain environmental licences and departmental permissions therefore highlights the legal environment.

Step 3: Conclusion The two dimensions are the political environment, shown by government stability and investment confidence, and the legal environment, shown by compliance with environmental laws, licences and government permissions.

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

23. '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: accomplishing organisational goals and facilitating coordination in action.
- Coordinated standards guide activities towards common objectives; measurement against standards reveals deviations requiring corrective action.

Step 1: Accomplishing organisational goals **Accomplishing organisational goals:** Controlling measures progress towards organisational goals, brings deviations to light and indicates corrective action. It keeps the organisation on the right track. Here, spoilage was increasing costs and reducing profits, preventing the company from achieving its goals. Meera set standards and brought wastage under control. The case states that within a month the company could supply salads with "minimum wastage and achieve its goals. This shows how controlling enabled the company to attain its objectives.

Step 2: Facilitating coordination in action **Facilitating coordination in action:** Controlling provides direction to activities so that departments work together towards organisational objectives. Each department and employee is governed by predetermined standards that are coordinated with one another. Earlier, cleaning, cutting and packing were "working at their own pace, leading to spoilage. Meera established standards for the departments that were "well coordinated with one another. Following these standards linked the work of the departments and integrated their efforts towards the company's goals.

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

Quick Tip to Solve: Link achievement of goals to accomplishment of objectives, and coordinated departmental standards to coordination in action.

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

(i) Investment outlay

(ii) Instruments

(iii) Safety [3 marks]

Solution:

Concept:

- Financial Markets: comparison of capital and money markets by investment outlay, instruments and safety.
- Capital markets meet medium- and long-term financing needs, while money markets deal in short-term funds with maturity up to one year.

Step 1: Identify the scope of comparison The differences below describe the usual investment requirement and relative risk of the two markets. Safety is comparative: money market instruments are generally safer, but this does not mean that every instrument is completely free of risk.

Step 2: Compare the three specified bases

Basis	Capital market	Money market
Investment outlay	Does not necessarily require a huge investment outlay. Securities may be bought in smaller units, allowing relatively small investors to participate.	Requires a large investment outlay because instruments are generally issued or traded in large denominations.
Instruments	Equity shares, preference shares, debentures and bonds are the principal instruments.	Treasury bills, commercial paper, certificates of deposit, call money and commercial bills are the principal instruments.
Safety	Generally riskier in respect of both return and repayment of principal; issuers may fail to perform as expected.	Generally safer, owing to short maturity periods and the financial soundness of issuers such as government, banks and large firms.

Step 3: Conclusion Capital market investments can involve smaller outlays but generally greater risk; money market investments usually need larger outlays and offer comparatively greater safety.

Quick Tip to Solve: Remember: small investment units are possible in capital markets; large denominations and short maturities characterise money markets.

OR

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

(i) Choice of technique

(ii) Growth prospects

(iii) Financing alternatives [3 marks]

Solution:

Concept:

- Financial Management: factors affecting the investment required in long-term assets.
- Fixed capital finances assets used over several operating periods; technology, expansion and access to leasing affect the amount required.

Step 1: Choice of technique **Choice of technique:** A company using a capital-intensive technique requires more fixed capital because it invests heavily in plant and machinery. A company using a labour-intensive technique needs relatively less fixed capital because it relies more on labour and needs less machinery. Thus, greater mechanisation raises the fixed capital requirement.

Step 2: Growth prospects **Growth prospects:** A company with higher growth prospects generally requires more fixed capital. Expected expansion means larger production capacity and investment in additional plant, machinery and other fixed assets. A company with limited growth prospects requires comparatively less additional investment in fixed assets.

Step 3: Financing alternatives **Financing alternatives:** Availability of leasing facilities reduces the fixed capital funds the company must arrange to purchase assets. It can use an asset by paying lease rentals instead of buying it outright. If suitable leasing facilities are unavailable and the company must purchase the assets, its fixed capital requirement is higher. Leasing changes the financing arrangement; it does not remove the need to pay for using the asset.

Step 4: Conclusion Capital-intensive techniques and higher growth prospects increase fixed capital requirements; suitable leasing alternatives reduce the funds needed for outright asset purchase.

Quick Tip to Solve: For each factor state its direction: more machinery or expansion means more fixed capital; leasing reduces the immediate purchase requirement.

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

(i) Flexible

(ii) Mainly behavioural [4 marks]

Solution:

Concept:

- Principles of Management: nature of management principles, particularly their flexibility and their mainly behavioural character.
- Management principles are general guidelines for managerial decisions and action. Their application requires judgement about the particular situation and the people involved.

Step 1: (i) Flexible

- **Guidelines rather than rigid rules:** Principles of management are not rigid prescriptions that must be applied identically in every organisation. A manager has discretion to modify their application according to the needs of a given situation.
- **Adaptation to circumstances:** The same principle may be applied differently as the size, nature or requirements of the organisation change. For example, the degree of centralisation and decentralisation may vary between organisations and situations; a manager chooses the appropriate balance instead of treating either as an absolute rule.

Step 2: (ii) Mainly behavioural

- **Concern with human behaviour:** Management principles mainly aim to influence the behaviour of human beings in organisations. They guide managers in dealing with individuals and groups and in directing their efforts towards organisational objectives.
- **Relationships between people and work:** These principles help in understanding the relationship between human and material resources. Human behaviour is complex and changes with circumstances, so principles guide managerial judgement without guaranteeing an identical response from every employee. For example, equity guides fair treatment of employees to encourage loyalty and commitment.

Step 3: Conclusion Management principles are flexible because managers adapt their application to circumstances, and mainly behavioural because they primarily guide the management of people and their relationships at work.

Quick Tip to Solve: Link flexibility to situational adaptation and behavioural character to people; avoid describing management principles as fixed scientific laws.

OR

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

(i) Standardisation and Simplification

(ii) Fatigue Study [4 marks]

Solution:

Concept:

- Principles of Management: Taylor's techniques of scientific management, specifically standardisation and simplification of work and fatigue study.
- Scientific management uses systematic study to improve efficiency, remove unnecessary work and establish suitable methods and working conditions.

Step 1: (i) Standardisation and Simplification

- **Standardisation:** It refers to setting standards for every business activity, such as the process, raw materials, time, product, machinery, methods and working conditions. These standards become benchmarks to be followed during production. It aims at reducing products to fixed types, sizes and characteristics and establishing standards of excellence and performance.

- **Simplification:** It aims at eliminating superfluous varieties, sizes and dimensions of products. Unlike standardisation, which establishes standards, simplification removes unnecessary diversity. It saves the cost of labour, machines and tools, reduces inventories, enables fuller utilisation of equipment and helps increase turnover. Thus, producing fewer necessary varieties reduces waste and supports efficient production.

Step 2: (ii) Fatigue Study

- **Purpose of the study:** A worker becomes physically and mentally tired when continuously working without suitable rest. Fatigue study determines the amount and frequency of rest intervals required while completing a task so that the worker can regain stamina and continue efficiently.
- **Scientific provision of rest:** The study examines causes of fatigue, such as long working hours, inadequate rest intervals, unsuitable work and poor working conditions. Appropriate rest pauses are then scheduled according to the task. This helps maintain efficiency, reduces the strain of work and increases productivity; the intervals are determined by study rather than arbitrary judgement.

Step 3: Conclusion Standardisation establishes production benchmarks, simplification eliminates unnecessary product varieties, and fatigue study determines suitable rest intervals to sustain workers' efficiency.

Quick Tip to Solve: Distinguish setting standards from reducing varieties, and define fatigue study through both the amount and frequency of rest intervals.

26. State any four points of the importance of consumer protection from a business perspective.

[4 marks]

Solution:

Concept:

- Consumer Protection: importance of protecting consumers from the business perspective.
- A business benefits from consumer satisfaction and must recognise its social and moral responsibilities towards consumers.

Step 1: Long-term interest of business **Long-term interest of business:** Enlightened businesses realise that protecting consumers serves their own long-term interest. Satisfied customers make repeat purchases and communicate their favourable experiences to others. This builds goodwill, expands the customer base and supports continuing sales and profits. Exploiting a customer for an immediate gain can damage that lasting relationship.

Step 2: Business uses society's resources **Business uses society's resources:** Business organisations obtain and use resources belonging to society. They therefore have a responsibility to supply products and services that serve society's interests. Protecting consumers against unfair practices is one way of recognising this obligation to the society that enables business activity.

Step 3: Social responsibility **Social responsibility:** A business has responsibilities towards various interest groups, including consumers. Consumers provide the revenue on which its operations depend. The business should safeguard their interests by supplying safe, reliable products, providing accurate information and dealing fairly with their complaints. Consumer protection thus fulfils an important

responsibility towards a key stakeholder group.

Step 4: Moral justification **Moral justification:** It is the moral duty of a business to protect consumers and avoid exploiting them. Unfair practices such as adulteration, misleading advertisements, hoarding and selling unsafe products are ethically wrong. A business should act honestly and fairly even when it could obtain a short-term advantage through such practices.

Step 5: Conclusion Four points are long-term interest of business, use of society's resources, social responsibility and moral justification.

Quick Tip to Solve: For the business perspective, link each point to the firm's interest or duty; consumer ignorance and unorganised consumers belong to the consumer perspective.

---

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

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

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

Solution:

Concept:

- Marketing Management: physical distribution concerns making goods physically available to customers at the right place and time.
- Its four major components are order processing, transportation, warehousing and inventory control.

Step 1: (a) Order processing **Order processing:** The first component managed effectively is order processing. The case states that Rhea "immediately checked the order details and processed it" and recognised the need for "accurate and speedy processing of orders". Orders initiate the movement of goods. Accurate processing ensures that the right quantity and specifications are dispatched, while speedy processing prevents delays in delivery to customers.

Step 2: (a) Transportation **Transportation:** The second component is transportation. Rhea "arranged a vehicle to pick up the cartons from her workshop", and the vehicle delivered them to the gift chain's warehouse. Transportation physically moves goods from the place of production to the place of sale. Her arrangement enabled the candles to reach the required destination before the festive rush.

Step 3: (b) Warehousing **Warehousing:** Warehousing involves storing goods and holding them in suitable condition until they are required for sale or distribution. It creates time utility by bridging the gap between production and consumption. Rhea needs to plan adequate storage for her candles so that they remain available when seasonal demand rises. The number, location and capacity of

warehouses influence delivery speed, customer service and storage costs.

Step 4: (b) Inventory control **Inventory control:** Inventory control means deciding and maintaining appropriate stock levels to meet customers' requirements. Insufficient stock can cause lost sales and dissatisfied customers, while excessive stock ties up funds and increases storage and handling costs. Rhea should estimate demand and plan stock replenishment so that enough candles are available during the Diwali season without carrying unnecessary inventory. The objective is to balance customer service with the cost of holding stock.

Step 5: Conclusion (a) Rhea managed order processing and transportation effectively. (b) The other components are warehousing and inventory control.

Quick Tip to Solve: Match checking an order to order processing and movement by vehicle to transportation; explain storage and stock-level decisions as the two remaining components.

28. '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 the purchase and sale of existing securities.
- Functions of a stock exchange: providing liquidity and marketability to existing securities, and ensuring safety of transactions.

Step 1: (a) Identify the market Rajan sold his shares in the secondary market, that is, the stock exchange. The clue is that he had bought the shares 'many years ago' and now 'sold some of the shares'. These are existing securities being sold by an investor; the company is not issuing fresh shares to raise capital.

Step 2: (b) Providing liquidity and marketability to existing securities **Providing liquidity and marketability to existing securities:** A stock exchange creates a continuous market in which existing securities can be bought and sold. It gives investors an opportunity to disinvest and reinvest, and enables them to convert their investment into cash whenever a buyer is available. In the case, Rajan 'sold some of the shares to arrange money for his daughter's higher education'. This shows how the market made his investment marketable and allowed him to realise cash when needed.

Step 3: (c) Safety of transactions **Safety of transactions:** Membership of a stock exchange is well regulated, and its dealings are governed by the existing legal framework. Trading is subject to well-defined rules and regulations designed to protect the investing public. Such regulation promotes fair dealings and provides a safer framework for buying and selling securities. Thus, Rajan's statement that the market 'provides safety of transactions to investors' refers to regulated trading. It does not mean that share prices cannot fall or that investment returns are guaranteed.

Step 4: Conclusion (a) Secondary market / stock exchange. (b) Providing liquidity and marketability to existing securities. (c) Regulated membership and dealings within the legal framework protect investors in transactions.

Quick Tip to Solve: An investor selling previously purchased shares indicates the secondary market; connect the need for cash to liquidity, and regulated dealings to transaction safety.

29. 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: top management determines the overall direction and strategy of the organisation.
- Middle management connects top management with operational management and implements plans through departmental activities.

Step 1: Identify the two management levels Arjun works at the top level of management: he is responsible for the 'welfare and survival of the organisation' and for 'analysing the business environment'. Neha works at the middle level of management because she is 'heading the marketing department'. The question asks for two additional functions for each, so the functions already stated in the case are not repeated below.

Step 2: Two other functions of Arjun: top management

- **Formulating overall organisational goals and strategies:** Arjun would decide the broad objectives of Apex Ltd. and formulate strategies to achieve them. These decisions provide a common direction to all departments and guide the organisation's future activities.
- **Integrating diverse elements and coordinating departments:** Arjun would bring together the different activities of the business and coordinate the efforts of its departments. This ensures that departmental decisions and resources contribute to the overall organisational objectives.

Step 3: Two other functions of Neha: middle management

- **Interpreting the policies framed by top management:** Neha would explain the policies and plans decided by top management to managers and employees in the marketing department. She would translate the broad organisational plans into a clear direction for departmental work.
- **Assigning duties and responsibilities:** Neha would allocate work to personnel in the marketing department and specify their duties and responsibilities. Clear assignment makes employees aware of the work expected of them and helps the department implement the organisation's plans.

Step 4: Conclusion Arjun: formulate overall goals and strategies, and integrate activities through interdepartmental coordination. Neha: interpret top-management policies, and assign duties and responsibilities within her department.

Quick Tip to Solve: For an "apart from" question, first identify the management level and cross out functions already given; then state two distinct additional functions for each person.

---

30. '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 and promote consumer interests through independent testing, collective action, legal assistance and public-interest action.
- The question asks for functions other than consumer education, publication of consumer information and filing an individual consumer complaint, which are already described in the case.

Step 1: Comparative testing and consumer protest

- **Comparative testing of consumer products:** The NGO can test different brands of consumer products in accredited laboratories to assess their relative quality. It can publish the test results for the benefit of consumers, helping them compare products and make informed buying decisions. This differs from merely publishing general information about consumer problems.
- **Encouraging consumer protest:** It can encourage consumers to protest against exploitative and unfair trade practices followed by sellers. By bringing consumers together and raising their

collective voice, it can draw attention to such practices and press businesses to treat consumers fairly.

Step 2: Legal assistance and action in the public interest

- **Providing legal assistance:** The NGO can provide legal assistance to consumers seeking legal remedies. It can guide and assist them in understanding their rights, preparing the necessary documents and pursuing redressal. This supportive role is distinct from the NGO itself filing the water-purifier complaint already mentioned in the case.
- **Taking initiative in public-interest cases:** It can take the initiative in filing cases in consumer courts in the interest of the general public, even where it is not acting for a particular individual consumer. Such action seeks to safeguard wider consumer interests rather than only resolving the named residents' complaint.

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

Quick Tip to Solve: First exclude the functions already narrated in the case; distinguish legal assistance and public-interest action from filing the residents' individual complaint.

31. '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: the dividend decision concerns the portion of earnings distributed to shareholders and the portion retained in the business for future needs.

- Earnings and the stock market's reaction may favour a higher dividend, while contractual restrictions and insufficient cash may limit the amount actually payable.

Step 1: (a) Factors favouring the Board's proposal

- **Amount of earnings:** The case states that the company's profits "increased manifold" after its new baked snacks became popular. Dividends are paid out of current and past earnings. Other things remaining the same, higher earnings increase the company's capacity to distribute dividends. The substantial rise in profits therefore encouraged the Board to consider a high dividend.
- **Stock market reaction:** The case states that investors "view an increase in dividend as good news and stock prices react positively to it". Generally, an increase in dividend has a positive impact on share prices, whereas a decrease can have a negative impact. The Board's expectation of a favourable response from investors therefore also encouraged it to propose a higher dividend.

Step 2: (b) Two factors highlighted by the Chief Finance Officer

- **Contractual constraints:** The loan contains "a clause that imposes restriction on the payment of dividend". When a company enters into a loan agreement, the lender may impose conditions restricting dividend payments. The company must comply with these contractual conditions. Consequently, the Board cannot declare a dividend merely on the basis of high profits; it must first check the restriction in the loan agreement.
- **Cash flow position:** The CFO points out that "a large amount of money was tied to the amounts receivables from the debtors" and that the company lacked sufficient cash in hand. Dividend payment involves an outflow of cash. A company may report substantial profits without having enough cash available, because credit sales have not yet been collected. A sound cash flow position is therefore necessary for paying a high dividend, and the present cash shortage limits this company's ability to do so.

Step 3: Conclusion (a) The two factors are amount of earnings and stock market reaction. (b) Two factors highlighted by the CFO are contractual constraints and cash flow position. Thus, a favourable profit figure and expected market response must be considered alongside the company's binding loan conditions and ability to pay cash.

Quick Tip to Solve: Match each factor to a separate case clue: profits to earnings, share prices to market reaction, the loan clause to contractual constraints, and debtors to cash flow.

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

(i) Planning provides directions

(ii) Planning reduces the risk of uncertainty

(iii) Planning reduces overlapping and wasteful activities [6 marks]

Solution:

Concept:

- Planning: Importance of planning in providing direction, dealing with uncertainty and coordinating organisational activities.

- Planning means setting objectives for a given period, formulating courses of action to achieve them and selecting the best alternative in advance.

Step 1: Planning provides directions **Planning provides directions:** Planning states in advance what is to be done and how it is to be done. It makes the objectives and goals clear and serves as a guide for deciding the actions to be taken. Employees know what the organisation has to achieve and what they must do to contribute to its achievement. Consequently, different departments and individuals work towards a common purpose. Without planning, employees may work in different directions and the organisation may not achieve its goals efficiently.

Step 2: Planning reduces the risk of uncertainty **Planning reduces the risk of uncertainty:** Planning requires managers to look ahead and anticipate changes in the environment. They examine future conditions and decide beforehand how to meet likely changes or unexpected events. By developing appropriate courses of action, the organisation is better prepared to respond when conditions change. Planning cannot eliminate uncertainty because future events cannot be predicted with complete accuracy. However, it helps managers anticipate changes and develop managerial responses, thereby reducing the risk and impact of uncertainty.

Step 3: Planning reduces overlapping and wasteful activities **Planning reduces overlapping and wasteful activities:** Planning provides a basis for coordinating the activities and efforts of different divisions, departments and individuals. Since it specifies the work and the means of accomplishing it, it brings clarity to actions and thought. Employees understand how their activities relate to the work of others, reducing duplication and unnecessary effort. Confusion and misunderstanding can therefore be avoided. Planning also helps identify inefficiencies and unnecessary activities so that corrective measures can be taken, allowing resources to be used more effectively.

Step 4: Conclusion Planning guides collective effort towards objectives, prepares managers to respond to uncertainty and coordinates work to minimise duplication and waste.

Quick Tip to Solve: Explain each point through its mechanism: clear objectives give direction, anticipating change reduces uncertainty, and coordination prevents duplicate work.

OR

32(b). Explain the following steps in the organising process :

(i) Departmentalisation

(ii) Assignment of duties

(iii) Establishing authority and reporting relationships [6 marks]

Solution:

Concept:

- Organising: The organising process translates plans into action by dividing work, grouping activities, assigning duties and establishing authority relationships.
- Clear allocation of work and authority enables employees and departments to coordinate their efforts towards organisational objectives.

Step 1: Departmentalisation **Departmentalisation:** After the work has been identified and divided into manageable activities, activities of a similar nature are grouped together. This grouping forms departments and facilitates specialisation. Departments can be created on different bases according to the requirements of the organisation. For example, activities can be grouped on the basis of functions, such as production, marketing and finance, or on the basis of products in an organisation offering several products. Grouping related work makes it easier to coordinate activities within a department and manage them effectively.

Step 2: Assignment of duties **Assignment of duties:** Once departments have been formed, jobs are allocated to the members of each department. The work must be assigned to employees who are best suited to perform it, considering their abilities, skills and competencies. It is essential for effective performance that the nature of a job and the ability of the person responsible for it are properly matched. Each employee should be given a specific job to perform. Such a clear allocation avoids ambiguity about who is responsible for carrying out a particular task and helps ensure effective execution of work.

Step 3: Establishing authority and reporting relationships **Establishing authority and reporting relationships:** After duties have been assigned, it is necessary to specify who is to report to whom. Members must know from whom they are to take orders and to whom they are accountable for their work. Establishing these relationships creates a managerial hierarchy and clarifies the extent of authority and responsibility of each position. The resulting superior-subordinate relationships connect different jobs and departments. They provide channels for communication and coordination, enabling employees to understand their place in the organisation and to work together towards its objectives.

Step 4: Conclusion Departmentalisation groups related activities, assignment of duties allocates suitable jobs to individuals, and authority and reporting relationships link these jobs through a clear managerial hierarchy.

Quick Tip to Solve: Keep the three steps distinct: group similar work, match each job to a suitable person, then clarify who gives orders and who reports to whom.

33. '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 communication prevent the accurate and complete exchange of ideas between a sender and a receiver.
- Organisational barriers arise from the organisation's arrangements and status relationships; psychological barriers arise from the state of mind of the sender or receiver.

Step 1: Identify the organisational barriers

- **Organisational policy:** The case says that Alpha Electronics had a "highly centralised pattern where free communication was not encouraged." An explicit or implicit policy that does not support the free flow of communication hampers communication effectiveness. In such an organisation, employees hesitate to communicate freely through the prescribed channels, and information needed for timely action may not reach the decision maker.
- **Status:** Suresh was "conscious of his seniority and position" and "rarely encouraged his subordinates to speak freely." The status of a superior can create a psychological distance between the superior and subordinates. A status-conscious manager may not permit subordinates to express their feelings freely, while subordinates hesitate to convey facts openly. Suresh's unapproachable manner therefore obstructed an open explanation of the fault.

Step 2: Identify the psychological barriers

- **Distrust:** Manoj thought that sharing the cause with Suresh "would adversely affect his interests." A lack of mutual confidence and trust between sender and receiver acts as a barrier to communication. Since Manoj feared that disclosure of his own negligence would harm him, he did not communicate candidly. This fear-based lack of confidence in his superior prevented a complete account of the malfunction.
- **Lack of attention:** Suresh was "pre-occupied with an important file" and Manoj felt that "Suresh wasn't listening to him." A receiver's preoccupation makes him inattentive, so he may fail to listen to or understand the message properly. Suresh's divided attention discouraged Manoj further and prevented the important technical information from being communicated effectively.

Step 3: Conclusion The four barriers are organisational policy, status, distrust and lack of attention. Together they prevented complete information about the damaged production line from reaching Suresh in time for corrective action.

Quick Tip to Solve: Match each quoted clue to a distinct NCERT barrier: centralisation to policy, seniority to status, fear of disclosure to distrust, and preoccupation to lack of attention.

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

(i) Estimating manpower requirements

(ii) Placement and orientation

(iii) Performance appraisal [6 marks]

Solution:

Concept:

- Staffing: the managerial function of filling and keeping filled the positions in an organisation structure by obtaining, developing and retaining suitable employees.
- The staffing process determines personnel needs, places selected people appropriately and evaluates their performance against established standards.

Step 1: Explain estimating manpower requirements

- **Estimating manpower requirements:** This step determines the number and type of personnel needed by the organisation. The manager must consider the qualifications, skills and experience required for different jobs as well as the quantity of employees needed to perform them. Thus, the estimate covers both the quantitative and qualitative dimensions of manpower.
- **Workload and workforce analysis:** Workload analysis assesses the number and types of human resources necessary to carry out the organisation's work. Workforce analysis examines the number and types of personnel already available. Comparing the two reveals whether the organisation is understaffed, overstaffed or has the required staffing level. This assessment guides recruitment, redeployment or other appropriate staffing action.

Step 2: Explain placement and orientation

- **Placement:** Placement refers to the employee occupying the position or post for which he or she has been selected. The selected employee is assigned the appropriate job so that the person's abilities and qualifications can be used in performing the duties of that position.
- **Orientation:** Orientation introduces a new employee to the organisation and its people. The employee is familiarised with the rules and policies of the organisation and the workplace, and is introduced to superiors, subordinates and colleagues. This introduction helps the new employee understand the working environment and settle into the organisation.

Step 3: Explain performance appraisal

- **Performance appraisal:** It means evaluating an employee's current or past performance against certain predetermined standards. The employee's actual work is assessed with reference to what the job requires, rather than judged without an established basis.

- **Appraisal process:** The manager defines the job, sets performance standards, assesses actual performance and provides feedback to the employee. Feedback helps employees recognise their strengths and deficiencies and understand where improvement is needed. A sound appraisal also provides information useful for decisions concerning employee development and career progression.

Step 4: Conclusion Estimating manpower requirements identifies the personnel needed; placement and orientation assign and introduce selected employees to their work; performance appraisal evaluates their work against predetermined standards and provides feedback.

Quick Tip to Solve: Explain these steps in their sequence: assess the people needed, assign and introduce the selected people, then evaluate performance against standards.

OR

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

(i) Campus Recruitment

(ii) Recommendation of employees

(iii) Employment Exchange [6 marks]

Solution:

Concept:

- Staffing: Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation.
- External sources of recruitment seek candidates from outside the organisation. Campus recruitment, recommendations of employees and employment exchanges provide access to different groups of prospective employees.

Step 1: (i) Campus recruitment

- **Meaning and procedure:** Business organisations maintain close links with universities, colleges and institutes of management and technology. They visit these institutions to identify and recruit suitable students for available jobs, often through interviews conducted on the campus.
- **Suitability:** Campus recruitment is an important source for recruiting professional and technical personnel, including engineers, managers and other trained employees. The organisation can approach a pool of candidates with the qualifications required for entry-level positions at one place.

Step 2: (ii) Recommendation of employees

- **Meaning and procedure:** Existing employees introduce or recommend their friends and relatives as prospective candidates for vacancies. Applicants introduced in this way may be considered because their background is known through the employees who recommend them.
- **Role of the recommendation:** The recommendation can provide a preliminary basis for judging suitability, since the employee may know both the candidate and the requirements of the job. A relationship between the candidate and the recommending employee can also develop a sense of responsibility in the new recruit. The recommended person is an external candidate and must still

be selected for the vacancy.

Step 3: (iii) Employment exchange

- **Meaning and procedure:** Employment exchanges are government-run institutions that maintain records of registered job seekers. They help match the personnel requirements communicated by employers with the qualifications and experience of available candidates and supply names of suitable candidates.
- **Suitability and limitation:** They are particularly useful for recruiting unskilled and skilled workers. They facilitate contact between employers and job seekers, but their records may not always be up to date and some candidates may not meet the employer's exact requirements. The employer therefore assesses the candidates before making the final selection.

Step 4: Conclusion Campus recruitment draws candidates from educational institutions, employee recommendations introduce candidates through existing staff, and employment exchanges connect employers with registered job seekers. All three are external sources because the prospective employees come from outside the organisation.

Quick Tip to Solve: For each source, explain how candidates are contacted and which group of candidates it helps the employer reach.