CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/5/1

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. The top management of a smartphone manufacturing company recently observed that the government has ordered new safety standards for batteries used in smartphones to prevent overheating. It also noticed that the government announced a reduction in import duties on components used in mobile phones.

The dimensions of business environment highlighted in the above case are : [1 mark]

(A) Technological and legal environments

(B) Political and technological environments

(C) Legal and social environments

(D) Political and legal environments

Correct Answer: (D) Political and legal environments

Solution:

Concept:

- Business Environment: dimensions of the business environment.
- Identify the precise textbook term by connecting it with the decisive wording in the question.

Step 1: Identify the legal dimension The government has "ordered new safety standards for batteries". Such compulsory standards form part of the legal environment because businesses must comply with the rules governing their products.

Step 2: Identify the policy dimension and eliminate alternatives The government "announced a reduction in import duties". In the given alternatives, this government policy initiative indicates the political environment. No change in production technology is described, ruling out (A) and (B). No change in social values or customs is stated, ruling out (C).

Step 3: Conclusion The dimensions are political and legal environments. Hence, the correct option is (D).

Quick Tip to Solve: Link mandatory safety standards with legal rules and the stated government policy with the political dimension.

2. 'Tangy Beverages Ltd.' was known for its popular tangy fruit drinks. It had recently introduced a new range of fruit drinks that became an instant hit among consumers and led to a significant increase in the company's profits. As a result, the Board of Directors wanted to declare a higher dividend for the year. The Chief Finance Officer suggested that they should evaluate the impact of dividend on the share price of previous years before taking a decision. An analysis was done, which showed how the company's share price had risen in previous years whenever the dividend was increased. On the other hand, even a small decrease in dividend had led to a noticeable dip in the share price.

Which of the following factors affecting dividend decision was suggested by the Chief Finance Officer to the Board of Directors in the above case ? [1 mark]

(A) Access to capital market

(B) Stock market reaction

(C) Shareholders preference

(D) Cash flow position

Correct Answer: (B) Stock market reaction

Solution:

Concept:

- Financial Management: factors affecting the dividend decision.
- Identify the precise textbook term by connecting it with the decisive wording in the question.

Step 1: Identify the evidence The CFO wanted to "evaluate the impact of dividend on the share price". The analysis shows that an increase in dividend raised the share price, whereas even a small decrease reduced it. This is the stock market reaction to dividend announcements.

Step 2: Check the other factors Access to capital market, option (A), concerns the ability to raise funds externally. Shareholders preference, option (C), concerns investors' preference for current income or capital gains. Cash flow position, option (D), concerns cash available to pay dividends. None describes the price response being examined here.

Step 3: Conclusion The factor is stock market reaction. Hence, the correct option is (B).

Quick Tip to Solve: When a dividend case repeatedly refers to a rise or fall in share price, identify stock market reaction.

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

Assertion (A) : General forces such as social, political, legal and technological conditions affect an individual firm only indirectly.

Reason (R) : General forces have an impact on all business enterprises, in contrast to, specific forces that affect individual firms directly and immediately in their day-to-day working.

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

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

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

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

(D) Assertion (A) is correct, but Reason (R) is incorrect.

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

Solution:

Concept:

- Business Environment: general and specific forces as features of the business environment.
- Identify the precise textbook term by connecting it with the decisive wording in the question.

Step 1: Judge the Assertion The Assertion is correct. Social, political, legal and technological conditions are general forces. They influence the overall business environment and therefore affect an individual enterprise indirectly.

Step 2: Judge the Reason The Reason is correct. General forces affect all business enterprises, whereas specific forces such as customers, suppliers, competitors and investors affect an individual firm directly and immediately in its daily operations.

Step 3: Test the explanatory link The broad impact of general forces, contrasted with the immediate firm-specific impact of specific forces, explains the Assertion. Thus (B) wrongly denies the explanatory link, (C) wrongly rejects both statements, and (D) wrongly rejects the Reason.

Step 4: Conclusion Both A and R are correct, and R correctly explains A. Hence, the correct option is (A).

Quick Tip to Solve: For assertion-reason items, check the truth of each statement before testing whether the reason explains the assertion.

4. One of the factors affecting price determination of a product is 'Pricing Objectives'. Which of the following pricing objectives will result in a higher price being fixed for the product ? [1 mark]

(A) Obtaining market share leadership

(B) Surviving in a competitive market

(C) Attaining product quality leadership

(D) Profit maximisation in the long run

Correct Answer: (C) Attaining product quality leadership

Solution:

Concept:

- Marketing Management: pricing objectives as a factor affecting price determination.
- Identify the precise textbook term by connecting it with the decisive wording in the question.

Step 1: Connect quality leadership with price Attaining product quality leadership requires expenditure on superior quality and often research and development. The firm can fix a higher price to cover these costs and position its product as a high-quality offering.

Step 2: Eliminate the remaining objectives Obtaining market share leadership, option (A), usually calls for a lower price to attract more buyers. Survival in a competitive market, option (B), also favours lower prices. Long-run profit maximisation, option (D), may use lower current prices to build market share; it does not specifically imply the higher price associated with quality leadership.

Step 3: Conclusion The objective is attaining product quality leadership. Hence, the correct option is (C).

Quick Tip to Solve: Associate quality leadership with a premium price that supports superior quality and research expenditure.

5. "The application of principles of management is dependent upon the prevailing situation at a particular point of time." This statement highlights which of the following features of principles of management ? [1 mark]

(A) General guidelines

(B) Flexible

(C) Mainly behavioural

(D) Contingent

Correct Answer: (D) Contingent

Solution:

Concept:

- Principles of Management: contingent nature of management principles.
- Identify the precise textbook term by connecting it with the decisive wording in the question.

Step 1: Read the decisive wording The words "dependent upon the prevailing situation at a particular point of time indicate that applying a principle depends on the circumstances. This is the contingent

nature of management principles.

Step 2: Distinguish the other features General guidelines, option (A), means principles provide broad guidance rather than ready-made solutions. Flexible, option (B), means managers may modify their application. Mainly behavioural, option (C), means principles chiefly concern human behaviour. The statement specifically emphasises dependence on the situation, making contingent the most precise choice.

Step 3: Conclusion The feature is contingent. Hence, the correct option is (D).

Quick Tip to Solve: Use the cue: dependent on the prevailing situation means contingent; scope for modification means flexible.

6. 'Renew Ltd.' was the pioneer in the Electric Vehicles segment and presently has 70% market share. Keeping in mind the rapidly increasing demand for Electric Vehicles due to the rising environment consciousness among people and lower operating costs, the company set a target to increase its market share to 80% in the current year. However, the incentives provided by the government to encourage manufacturing of Electric Vehicles attracted many new players in the market. As this change in the business environment happened suddenly, the company was not able to accurately assess future trends. As a result, the market share of 'Renew Ltd.' fell from 70% to 55% in the current year.

Which limitation of planning has been discussed in the above case ? [1 mark]

(A) Planning may not work in a dynamic environment

(B) Planning leads to rigidity

(C) Planning does not guarantee success

(D) Planning involves huge costs

Correct Answer: (A) Planning may not work in a dynamic environment

Solution:

Concept:

- Planning: limitation that planning may not work in a dynamic environment.
- Identify the precise textbook term by connecting it with the decisive wording in the question.

Step 1: Identify the environmental change The case states that the change "happened suddenly and the company could not "accurately assess future trends. Government incentives attracted new competitors and altered the conditions on which the plan was based.

Step 2: Match the limitation and reject alternatives Planning relies on assumptions about the future, so rapid environmental changes can make a plan ineffective. Rigidity, option (B), would involve unwillingness to change a predetermined course. Option (C) concerns reliance on past successful plans without ensuring future success. Option (D) concerns planning expenditure. These are not the specific limitation illustrated by sudden competitive change.

Step 3: Conclusion The limitation is that planning may not work in a dynamic environment. Hence, the correct option is (A).

Quick Tip to Solve: When sudden policy or competitive changes upset forecasts, choose the dynamic-environment limitation.

7. Which of the following statements is incorrect with reference to Maslow's Need Hierarchy Theory of motivation ? [1 mark]

(A) People's behaviour is based on their needs.

(B) People's needs are in hierarchical order, starting from basic needs to other higher level needs.

(C) Only a satisfied need can motivate a person.

(D) A person moves to the next higher level of the hierarchy only when the lower need is satisfied.

Correct Answer: (C) Only a satisfied need can motivate a person.

Solution:

Concept:

- Directing: Maslow's need hierarchy theory of motivation.
- Identify the precise textbook term by connecting it with the decisive wording in the question.

Step 1: Apply the motivation principle According to Maslow, an unsatisfied need motivates a person. Once a need is satisfied, it ceases to be a significant motivator and the next higher need becomes active. Thus the claim that "Only a satisfied need can motivate a person" reverses the theory.

Step 2: Verify the remaining statements Option (A) correctly links behaviour to needs. Option (B) correctly arranges needs from basic to higher-level needs. Option (D) correctly describes movement to the next level after satisfaction of the lower need, within Maslow's theory. Since the question asks for the incorrect statement, these three correct statements must be rejected.

Step 3: Conclusion The incorrect statement is "Only a satisfied need can motivate a person. Hence, the correct option is (C).

Quick Tip to Solve: Underline the word incorrect, then remember that an unsatisfied need motivates while a satisfied need loses motivating force.

8. Which of the following is not a factor affecting capital structure of a company ? [1 mark]

(A) Cash flow position

(B) Return on investment

(C) Financing alternatives

(D) Stock market conditions

Correct Answer: (C) Financing alternatives

Solution:

Concept:

- Financial Management: factors affecting the choice of capital structure.
- Cash flow, return on investment and stock market conditions influence the debt-equity mix.

Step 1: Identify the decision being tested Capital structure concerns the relative proportion of debt and equity in long-term finance. Cash flow position affects the ability to service debt; return on investment affects the advantage from trading on equity. Thus both (A) and (B) are recognised factors affecting capital structure.

Step 2: Check the remaining alternatives Stock market conditions, option (D), influence the attractiveness of issuing equity or raising debt. Financing alternatives, option (C), is not a separately listed NCERT factor affecting capital structure; it is associated with the wider financing decision and the available sources of funds.

Step 3: Conclusion Financing alternatives is not a listed factor affecting capital structure. Hence, the correct option is (C).

Quick Tip to Solve: For a negative MCQ, check each choice against the textbook list before choosing the exception.

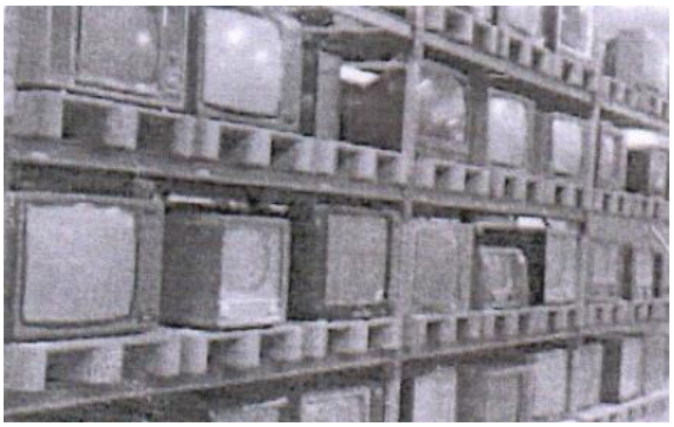
9. Identify the shift in the marketing management philosophy from Picture I to Picture II.

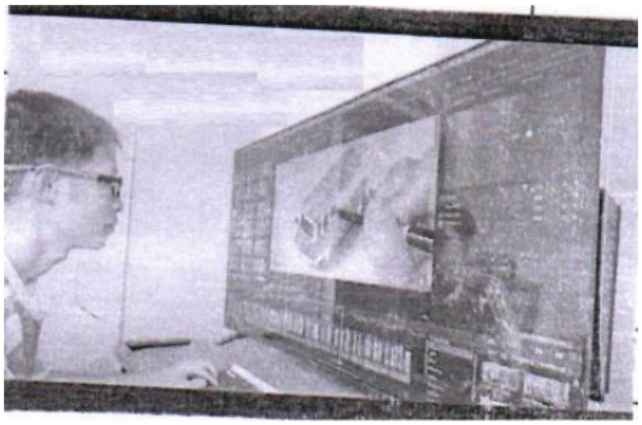
Mass Production of Televisions

Picture I

Use of Television as a Computer Monitor

Picture II [1 mark]





(A) From Production concept to Product concept

(B) From Production concept to Societal marketing concept

(C) From Societal marketing concept to Production concept

(D) From Product concept to Production concept

Correct Answer: (A) From Production concept to Product concept

Solution:

Concept:

- Marketing Management: production concept and product concept.
- The production concept stresses availability and low cost; the product concept stresses quality, performance and features.

Step 1: Interpret Picture I The caption 'Mass Production of Televisions' points to the production concept. This philosophy stresses large-scale production and distribution so that products are widely available and affordable.

Step 2: Interpret Picture II and compare options The caption 'Use of Television as a Computer Monitor' highlights enhanced utility and product features, indicating the product concept. Hence (A) gives the required order. Options (B) and (C) introduce societal marketing without evidence of social welfare or environmental concern; (D) reverses the two pictures.

Step 3: Conclusion The shift is from Production concept to Product concept. Hence, the correct option is (A).

Quick Tip to Solve: Associate mass production with availability and affordability, and enhanced features with the product concept.

Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 9.

9. The process of giving a name or a sign or a symbol etc., to a product is known as: [1 mark]

(A) Brand

(B) Branding

(C) Labelling

(D) Packaging

Correct Answer: (B) Branding

Solution:

Concept:

- Marketing Management: branding is the process of assigning a distinctive identity to a product.
- A brand is a name, term, sign, symbol, design or combination that identifies a seller's product and distinguishes it from competitors' products.

Step 1: Identify the process described The question asks for the process of 'giving a name or a sign or a symbol' to a product. In NCERT terminology, this process is branding. It enables customers to identify the product and distinguish it from similar products offered by other sellers.

Step 2: Check the alternatives Option (B), Branding, names the required process. Option (A), Brand, refers to the identifying name, symbol or other feature itself, rather than the act of assigning it. Option (C), Labelling, concerns designing the label and displaying information about the product. Option (D), Packaging, concerns designing and producing the container or wrapper. Neither of these names the identity-giving process asked here.

Step 3: Conclusion The process is Branding. Hence, the correct option is (B).

Quick Tip to Solve: When the question says 'process of giving a name', choose branding; the resulting identifying name or symbol is the brand.

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10. 'Deccan Motors Ltd.' is a renowned name in the automobile sector in India. It deals in both commercial vehicles like bus, truck and lorries, as well as passenger vehicles like cars, scooters, etc. It presently has a functional organisational structure. The Board of Directors have now decided to shift to divisional structure, with separate divisions for commercial vehicles and passenger vehicles. Identify the benefit the company will get as a result of shifting to divisional structure : [1 mark]

(A) It will promote flexibility and initiative because each division will function as an autonomous unit.

(B) It will lead to minimal duplication of effort, which will result in economies of scale.

(C) It will make training of employees easier as the focus will be on limited range of skills.

(D) It will lead to occupational specialisation since emphasis will be placed on specific functions.

Correct Answer: (A) It will promote flexibility and initiative because each division will function as an autonomous unit.

Solution:

Concept:

- Organising: advantages of a divisional organisational structure.
- Autonomous product divisions promote flexibility and initiative, while functional grouping encourages occupational specialisation.

Step 1: Connect the case to divisional autonomy The company proposes 'separate divisions for commercial vehicles and passenger vehicles'. Each product division can coordinate the functions needed for its own business and operate as an autonomous unit. This promotes flexibility and initiative in responding to its market.

Step 2: Eliminate functional-structure advantages Option (A) describes this divisional advantage. Minimal duplication and economies of scale in (B), easier training within a limited range of skills in (C), and occupational specialisation in (D) are advantages of functional structure. A divisional structure may instead duplicate resources across divisions.

Step 3: Conclusion It will promote flexibility and initiative because each division will function as an autonomous unit. Hence, the correct option is (A).

Quick Tip to Solve: Use the organising basis: separate products mean divisional autonomy; grouping similar functions means functional specialisation.

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11. Obligation of a subordinate to properly perform the assigned duty is known as _____.

[1 mark]

(A) Delegation

(B) Accountability

(C) Responsibility

(D) Authority

Correct Answer: (C) Responsibility

Solution:

Concept:

- Organising: responsibility as an element of delegation.
- Responsibility is the duty to perform; accountability is answerability; authority is the right to decide and command.

Step 1: Identify the key definition Responsibility is the obligation of a subordinate to properly perform the assigned duty. The words 'perform the assigned duty' refer to the work obligation accepted when a superior assigns a task.

Step 2: Distinguish the other elements Authority, option (D), is the right to command and take decisions. Accountability, option (B), is answerability for the final outcome. Delegation, option (A), is the process of entrusting work and authority to a subordinate. None replaces the specific obligation to carry out the assigned duty.

Step 3: Conclusion The obligation is Responsibility. Hence, the correct option is (C).

Quick Tip to Solve: Match duty with responsibility, decision-making rights with authority, and answerability with accountability.

12. A software company wants to expand its business. For this, it requires a large number of fresh graduates with innovative ideas in the field of Artificial Intelligence and Data Analytics. The existing staff members do not possess these specialized skills, so a notice was put up at the reception of the office asking the present employees to introduce any friend or relative who could possibly be possessing the required skills for the jobs.

The source of recruitment that has been used by the software company is :

[1 mark]

(A) Direct Recruitment

(B) Recommendation of employees

(C) Transfer

(D) Promotion

Correct Answer: (B) Recommendation of employees

Solution:

Concept:

- Staffing: external recruitment through recommendations of employees.

- Employee recommendations attract outside candidates through contacts of the existing workforce.

Step 1: Identify the channel used The notice asks present employees to 'introduce any friend or relative' possessing the required skills. The company is seeking prospective candidates through its existing employees, so the source is recommendation of employees.

Step 2: Rule out the other sources Direct recruitment, option (A), involves displaying a notice inviting job seekers, often at the factory gate, and selecting from those who report; here employees refer candidates. Transfer, option (C), moves an existing employee to a similar position. Promotion, option (D), raises an existing employee to a higher position. Neither supplies the new externally referred talent described.

Step 3: Conclusion The source is Recommendation of employees. Hence, the correct option is (B).

Quick Tip to Solve: Identify who brings in candidates: when present employees introduce friends or relatives, choose employee recommendations.

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13. Read the following statements carefully :

Statement I : The entry to a profession is not restricted either through an examination or through acquiring an educational degree.

Statement II : There is no restriction on anyone being designated or appointed as a manager in any business enterprise irrespective of the educational qualifications possessed.

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

Solution:

Concept:

- Nature and Significance of Management: restricted entry as a feature of a profession and management as a profession.
- A profession has restricted entry, but appointment as a manager does not universally require a prescribed degree.

Step 1: Judge Statement I Statement I is false. Entry into an established profession is restricted through prescribed qualifications, examinations or membership requirements. Restricted entry is a characteristic of a profession, so saying that entry is not restricted reverses that feature.

Step 2: Judge Statement II and select the combination Statement II is true in the NCERT comparison: no specific educational qualification is legally compulsory for appointment as a manager in any business enterprise. Management therefore does not fully satisfy restricted entry. Option (B) gives false and true respectively; (A) reverses them, (C) wrongly accepts Statement I, and (D) wrongly rejects Statement II.

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

Quick Tip to Solve: Judge a profession and management separately: a professional qualification is prescribed, while a management degree is not universally compulsory.

14. A leading newspaper company noticed that many of its talented editors were resigning despite being paid competitive salaries. On conducting an internal survey, it was revealed that employees were dissatisfied as they were not being offered benefits over and above the salary, like the employees of other competitive firms. Realising that such additional benefits play an important role in motivating employees, the management decided to provide car allowance, housing facilities, medical benefits, etc. to retain employees in the organisation and improve their satisfaction.

Identify the incentive that the newspaper company decided to provide to their employees : [1 mark]

(A) Bonus

(B) Retirement benefits

(C) Perquisites

(D) Profit sharing

Correct Answer: (C) Perquisites

Solution:

Concept:

- Directing: perquisites as a financial incentive.
- Perquisites are additional benefits and facilities over and above salary.

Step 1: Identify the additional benefits The case specifies benefits 'over and above the salary', including 'car allowance, housing facilities, medical benefits'. These are perquisites: additional facilities or benefits provided alongside regular pay to motivate and retain employees.

Step 2: Distinguish the other financial incentives Bonus, option (A), is an additional payment over salary or wages. Retirement benefits, option (B), include benefits such as provident fund, pension and gratuity associated with future security. Profit sharing, option (D), gives employees a share of organisational profits. The case instead lists facilities and allowances, so (C) fits directly.

Step 3: Conclusion The incentive is Perquisites. Hence, the correct option is (C).

Quick Tip to Solve: Look for facilities beyond salary: housing, medical facilities and car allowance indicate perquisites.

15. Match the type of plan given in Column-I with its meaning in Column-II :

Column-I	Column-II
a. Policy	(i) Prescribed way or manner in which a task has to be performed considering the objective.
b. Programme	(ii) Detailed statement about a project which outline the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.
c. Method	(iii) A comprehensive plan for accomplishing an organisation's objectives, taking business environment into consideration.
d. Strategy	(iv) A general statement that guides thinking or channelises energies towards a particular direction.

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

(A) a-(ii), b-(iv), c-(i), d-(iii)

(B) a-(iv), b-(ii), c-(i), d-(iii)

(C) a-(iv), b-(ii), c-(iii), d-(i)

(D) a-(iv), b-(i), c-(ii), d-(iii)

Correct Answer: (B) a-(iv), b-(ii), c-(i), d-(iii)

Solution:

Concept:

- Types of plans: policy, programme, method and strategy.
- Use the NCERT definition to identify the exact activity or relationship described.

Step 1: Match the four definitions A policy is a general statement guiding thinking, so a matches (iv). A programme is a detailed project statement including objectives, resources and budget, so b matches (ii). A method prescribes the way of performing a task, so c matches (i). A strategy is a comprehensive plan considering the business environment, so d matches (iii).

Step 2: Check the alternatives Option (A) interchanges policy and programme. Option (C) interchanges method and strategy. Option (D) confuses programme with method. Only option (B) preserves all four correct matches.

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

Quick Tip to Solve: Associate policy with guidance, method with a way of doing work, programme with project details and strategy with the business environment.

16. The purpose of opening a Demat Account with a Depository Participant (DP) is : [1 mark]

(A) For holding and transferring securities in the Demat form

(B) For entering into an agreement with broker

(C) For making payment to stock exchange for any purchase of securities

(D) For enabling cash transactions in the securities market

Correct Answer: (A) For holding and transferring securities in the Demat form

Solution:

Concept:

- Depository services and dematerialisation: the purpose of a Demat account.
- Use the NCERT definition to identify the exact activity or relationship described.

Step 1: Identify the role of the account A Demat account holds securities in electronic, or dematerialised, form through a Depository Participant. It enables securities to be credited, debited and transferred without handling physical share certificates. This directly describes option (A).

Step 2: Eliminate the other purposes Option (B) relates to the client-broker agreement and trading arrangements. Option (C) concerns payment for a securities purchase, which requires payment arrangements through a bank. Option (D) also concerns cash transactions. A Demat account records securities, whereas a bank account handles money.

Step 3: Conclusion A Demat account is opened for holding and transferring securities in Demat form. Hence, the correct option is (A).

Quick Tip to Solve: Separate the three accounts: Demat holds securities, the trading account enables orders, and the bank account handles payment.

17. The step of the staffing process in which an employee's current and/or past performance is evaluated against certain pre-determined standards is : [1 mark]

(A) Placement and orientation

(B) Performance appraisal

(C) Promotion and career planning

(D) Recruitment

Correct Answer: (B) Performance appraisal

Solution:

Concept:

- The staffing process: performance appraisal against predetermined standards.
- Use the NCERT definition to identify the exact activity or relationship described.

Step 1: Identify the evaluation step Performance appraisal means evaluating an employee's current or past performance against predetermined standards. The decisive words in the question are 'performance is evaluated' and 'pre-determined standards'. Thus the activity described is performance appraisal.

Step 2: Distinguish the remaining steps Placement and orientation assign a job and introduce the employee to the organisation. Promotion and career planning concern movement to higher responsibilities and future career growth. Recruitment searches for prospective employees and stimulates them to apply. None of these is the actual evaluation of performance against standards.

Step 3: Conclusion The step is performance appraisal. Hence, the correct option is (B).

Quick Tip to Solve: When a staffing question mentions comparing employee performance with standards, identify performance appraisal.

18. Which of the following will require higher working capital ? [1 mark]

(A) Trading organisations

(B) Short processing cycles

(C) High level of competition

(D) Strict credit policy towards debtors

Correct Answer: (C) High level of competition

Solution:

Concept:

- Factors affecting working capital requirements: degree of competition.
- Use the NCERT definition to identify the exact activity or relationship described.

Step 1: Explain the effect of competition A high level of competition may require a business to maintain larger stocks to meet customer demand promptly and to offer liberal credit to customers. Funds remain tied up in inventory and debtors for longer. Therefore, a higher level of competition raises working capital requirements.

Step 2: Check the other factors Trading organisations generally need less working capital than manufacturing organisations because they do not process raw materials. Short processing cycles release funds sooner, reducing working capital needs. A strict credit policy towards debtors reduces the amount and duration of funds tied up in receivables. These do not describe the higher requirement asked here.

Step 3: Conclusion A high level of competition requires higher working capital. Hence, the correct option is (C).

Quick Tip to Solve: Larger inventories and liberal customer credit tie up funds; shorter cycles and stricter credit release them.

19. Read the following statements carefully :

Statement I : In democratic leadership style, the followers are given a high degree of independence to formulate their own objectives and ways to achieve them.

Statement II : In autocratic leadership style, communication is only one-way, with the subordinates only acting according to the command given by their managers.

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

Solution:

Concept:

- Leadership styles: democratic, autocratic and laissez-faire leadership.
- Use the NCERT definition to identify the exact activity or relationship described.

Step 1: Evaluate Statement I Statement I is false. Giving followers a high degree of independence to formulate their own objectives and ways to achieve them describes laissez-faire or free-rein leadership. Under democratic leadership, the leader encourages participation and consultation in decision-making, rather than simply leaving followers independent.

Step 2: Evaluate Statement II and the combinations Statement II is true. An autocratic leader gives orders and expects subordinates to obey; communication is primarily downward and one-way. Thus option (B) gives the correct truth combination. Option (A) reverses both judgements; option (C) wrongly accepts Statement I; option (D) wrongly rejects Statement II.

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

Quick Tip to Solve: Distinguish participation under democratic leadership from independent goal-setting under free-rein leadership.

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

Assertion (A) : The investing public gets a safe and fair deal on the stock market.

Reason (R) : The membership of stock exchange is well regulated and its dealings are well defined according to the existing legal framework.

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

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

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

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

(D) Assertion (A) is correct, but Reason (R) is incorrect.

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

Solution:

Concept:

- Functions of a stock exchange: safety of transactions through regulated dealings.
- Use the NCERT definition to identify the exact activity or relationship described.

Step 1: Judge the Assertion Assertion (A) is correct. Safety of transactions is a function of a stock exchange: the investing public receives a safe and fair deal in transactions conducted under the applicable regulatory framework. This refers to transaction safety and fairness, rather than a guarantee against losses from price changes.

Step 2: Judge the Reason Reason (R) is correct. Membership of the stock exchange is regulated and its dealings are defined according to the existing legal framework. Participants must operate within these rules, which discipline trading and support fair dealing.

Step 3: Test the explanatory link and alternatives The regulation of members and legally defined dealings provide the basis for the safe and fair deal mentioned in the Assertion. Therefore R explains A. Option (B) incorrectly denies this link. Option (C) incorrectly treats both statements as false, while option (D) incorrectly rejects the Reason.

Step 4: Conclusion Both A and R are correct, and R is the correct explanation of A. Hence, the correct option is (A).

Quick Tip to Solve: For safety of stock-exchange transactions, link the investor protection directly to regulated membership and legally defined dealings.

21. 'Premier Ltd.' is a clothing company known for its high quality apparel and strong commitment to environment sustainability. The company designs its clothing after carefully understanding the needs of its present and prospective buyers and satisfying them in an effective manner. It assumes that profit can be maximised only when all decisions are taken from the point of view of customer satisfaction. Along with meeting customer needs, 'Premier Ltd.' also shows a deep concern for the long-term well-being of the society. To reduce environmental pollution, the company is using organic cotton and recycled polyester. For reducing waste, they run a programme where customers can return old clothes for recycling and get a discount on new clothes. Not only this, they keep aside a portion of its profits for environmental education programmes in local schools.

Identify and explain two marketing management philosophies followed by 'Premier Ltd.'. [3 marks]

Solution:

Concept:

- Marketing Management: the marketing concept and the societal marketing concept are philosophies guiding a firm's marketing decisions.
- The marketing concept seeks profits through customer satisfaction; societal marketing also considers the long-term welfare of society.

Step 1: Marketing concept **Marketing concept:** This philosophy holds that achieving organisational goals depends on identifying the needs and wants of target customers and satisfying them more effectively and efficiently than competitors. Customer satisfaction is the means of earning profit, so customer needs guide product design and other marketing decisions. Premier Ltd. follows this concept because it designs clothes after "carefully understanding the needs of its present and prospective buyers" and believes that profit is maximised when decisions are taken "from the point of view of customer satisfaction". Thus, its starting point is the buyer's needs, rather than merely selling whatever has already been produced.

Step 2: Societal marketing concept **Societal marketing concept:** This philosophy extends the marketing concept by requiring customer satisfaction in a manner that preserves or enhances the long-term well-being of consumers and society. It balances company profits, consumer satisfaction and public welfare. The decisive evidence is Premier Ltd.'s "deep concern for the long-term well-being of the society". Its use of organic cotton and recycled polyester, collection of old clothes for recycling, and contribution to environmental education demonstrate this concern. These actions address pollution, waste and environmental awareness along with satisfying clothing needs.

Step 3: Conclusion Premier Ltd. follows the **marketing concept** and the **societal marketing concept**.

Quick Tip to Solve: Match customer satisfaction with the marketing concept and long-term social welfare with the societal marketing concept; cite separate case evidence for each.

22(a). State any three points of importance of Financial Planning. [3 marks]

Solution:

Concept:

- Financial Management: financial planning involves estimating the funds required and deciding their sources so that funds are available when needed.
- Financial planning seeks to avoid both a shortage of funds and unnecessary surplus funds.

Step 1: Anticipating situations and avoiding surprises **Helps in forecasting what may happen in future:** Financial planning examines possible future situations, estimates financial requirements and prepares the business to meet them. By anticipating changes in receipts, payments and the need for funds, managers can decide suitable courses of action beforehand. This helps the enterprise face eventualities in a better way and makes it better prepared for future financial conditions.

Step 2: Coordinating business functions **Helps in coordinating various business functions:** Financial planning links the financial needs of production, sales, purchases and other departments. For example, planned production and purchases must be supported by the funds expected from sales and financing. A common financial plan ensures that these activities fit together and that departmental decisions are consistent with the organisation's overall objectives.

Step 3: Avoiding shocks and surprises **Helps in avoiding business shocks and surprises:** By estimating the funds needed and identifying their sources in advance, financial planning alerts management to likely shortages or other financial difficulties. The firm can arrange suitable finance and prepare alternative responses before the problem becomes urgent. It therefore reduces the disruption caused by unexpected financial situations and supports smoother operations.

Step 4: Conclusion Financial planning helps forecast future situations, coordinate business functions, and avoid business shocks and surprises.

Quick Tip to Solve: State three distinct textbook benefits and explain how each improves preparedness or coordination; do not merely repeat the definition of financial planning.

OR

22(b). State any three factors that determine the requirement of fixed capital of a company. [3 marks]

Solution:

Concept:

- Financial Management: fixed capital refers to investment in fixed assets that serve the business over a long period, such as plant, machinery and buildings.
- Fixed capital requirements depend on the nature of the business, its scale of operations and the technique of production, among other factors.

Step 1: Nature of business **Nature of business:** A trading concern generally needs less fixed capital because it buys and sells goods without undertaking manufacturing. A manufacturing concern generally requires a larger investment in plant, machinery and factory buildings. Thus, the kind of

business activity determines the type and amount of long-term assets needed and consequently the company's fixed capital requirement.

Step 2: Scale of operations **Scale of operations:** A company operating on a large scale generally requires more fixed capital than a similar company operating on a small scale. Large-scale operations need greater productive capacity and a larger investment in plant, machinery and supporting infrastructure. A small-scale enterprise usually needs a smaller asset base. Hence, an increase in the planned scale of operations normally raises fixed capital needs.

Step 3: Choice of technique **Choice of technique:** A capital-intensive technique relies more heavily on machinery and equipment and therefore requires a larger amount of fixed capital. A labour-intensive technique relies relatively more on human effort and requires less investment in machinery. For a given kind of activity, the company's decision about the production technique therefore affects its investment in fixed assets.

Step 4: Conclusion Three factors determining fixed capital requirements are **nature of business, scale of operations and choice of technique**.

Quick Tip to Solve: For each factor, state the direction of the effect: manufacturing, larger scale and capital-intensive production generally require more fixed capital.

23. 'DF Telecom Ltd.', which produces a range of mobile phones for the Indian market, set a target to produce 30,000 units of mobile phones in the month of December 2025. This was the benchmark against which actual performance would be measured. At the end of the month, it was found that only 27,000 units were produced.

Concerned with the shortfall, the General Manager asked the Production Manager to find out and resolve the problem.

State the steps related to the process of one of the functions of management which the Production Manager has to take to find out and resolve the problem. [3 marks]

Solution:

Concept:

- Controlling: the process of ensuring that actual activities conform to planned activities.
- The remaining controlling steps are comparing actual performance with standards, analysing deviations and taking corrective action.

Step 1: Compare actual performance with standards **Comparing actual performance with standards:** The Production Manager should compare the actual output of 27,000 phones with the standard of 30,000 phones. Actual production is below the target by 3,000 phones. The words "only 27,000 units were produced show the adverse deviation from the production benchmark already set by the company.

Step 2: Analyse the deviation **Analysing deviations:** The manager should determine the causes of this shortfall, giving attention to significant deviations and critical areas of production. The instruction to "find out the problem points to this step. Possible causes to investigate include machinery breakdown, shortage of materials or inefficient working; these are matters for investigation, not facts established

by the case. Critical point control and management by exception help focus attention on important deviations.

Step 3: Take corrective action **Taking corrective action:** After identifying the actual cause, the manager should take suitable remedial action to prevent recurrence and bring output in line with the standard. The instruction to "resolve the problem points to this step. For example, a confirmed machinery problem would require repair or maintenance, while a confirmed skill deficiency would require training. The action must address the cause found in the analysis.

Step 4: Conclusion The Production Manager must compare performance with the standard, analyse the deviation and take corrective action.

Quick Tip to Solve: The standard and actual output are already given; explain the three remaining controlling steps.

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

(i) Investment outlay

(ii) Liquidity

(iii) Safety [3 marks]

Solution:

Concept:

- Financial Markets: differences between the capital market and money market.
- The capital market deals in medium- and long-term funds; the money market deals in short-term funds with maturity up to one year.

Step 1: Identify the markets being compared Capital-market instruments include shares and debentures, whereas money-market instruments include treasury bills and commercial paper. The required distinction concerns the size of the investment, ease of conversion into cash and risk. Liquidity means ease of conversion into cash; safety concerns the risk of loss.

Step 2: Differentiate on the three specified bases

Basis	Capital market	Money market
Investment outlay	Investment need not involve a huge outlay: the value of a unit of a security is generally low, enabling relatively small investment.	Transactions generally require a huge investment outlay because the instruments involve large amounts.
Liquidity	Securities are liquid through stock exchanges, but generally less liquid than money-market instruments. Finding a buyer can take time and effort.	Instruments enjoy a higher degree of liquidity; arrangements exist for their easy conversion into cash.
Safety	Instruments are generally riskier because returns and repayment face greater uncertainty over longer periods.	Instruments are comparatively safer because of their short duration and the financial soundness of issuers.

Step 3: Conclusion Capital-market investment can have a smaller outlay, but generally has lower liquidity and greater risk than money-market investment.

Quick Tip to Solve: Keep liquidity separate from safety: easy conversion into cash differs from low risk of loss.

OR

24(b). State any three development functions of Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- Financial Markets: SEBI performs developmental, regulatory and protective functions.
- Developmental functions promote the growth, competence and efficient functioning of the securities market.

Step 1: State the first developmental function **Training intermediaries:** SEBI trains intermediaries operating in the securities market. Intermediaries connect investors and issuers and facilitate securities transactions. Training improves their professional knowledge and competence, helping the market provide better services and function efficiently.

Step 2: State the second developmental function **Conducting research and publishing useful information:** SEBI conducts research and publishes information useful to market participants. The information helps participants understand market developments and take informed decisions. This develops the market by improving the information available to investors and other participants.

Step 3: State the third developmental function **Undertaking measures to develop the capital market:** SEBI adopts measures to develop the market by making trading and settlement practices more flexible and efficient. Examples include permitting internet trading through registered stockbrokers and making underwriting optional to reduce the cost of an issue. These measures encourage market development and participation.

Step 4: Conclusion Any three developmental functions are training intermediaries, conducting research and publishing useful information, and undertaking measures to develop the capital market.

Quick Tip to Solve: For developmental functions, choose measures that build market capacity; do not substitute policing or investor-protection functions.

25(a). Explain the following points of importance of business environment :

(i) Helps in tapping useful resources

(ii) Helps in coping with rapid changes [4 marks]

Solution:

Concept:

- Business Environment: the importance of understanding the external forces, institutions and conditions that affect a business enterprise.
- The environment supplies business inputs and receives business outputs; awareness also helps an enterprise adjust to rapid changes.

Step 1: (i) Helps in tapping useful resources **Obtaining necessary inputs:** The environment is a source of resources needed to operate a business. An enterprise obtains finance, materials, machines, labour and other supplies from its surroundings. Understanding the environment helps management

identify suitable sources and secure these inputs on appropriate terms.

Exchange with the environment: A business supplies goods and services to customers and makes payments such as wages, interest and rent to those who supply resources. Since the enterprise depends on this exchange, it must design policies that attract resources and satisfy the expectations of resource providers. Environment awareness helps it convert inputs into outputs that the environment desires.

Step 2: (ii) Helps in coping with rapid changes **Recognising changing conditions:** Business conditions change rapidly because of developments such as new technology, more demanding customers, increased competition and changes in government policy. Continuous study of the environment makes management aware of these developments and their likely effects on the enterprise.

Responding through suitable action: Management can modify its products, production methods, strategies and internal practices in response to these changes. Early awareness gives it time to prepare and adapt instead of continuing with outdated practices. Thus, understanding the environment helps the enterprise cope with a dynamic market and improve its ability to sustain performance.

Step 3: Conclusion Understanding the business environment helps an enterprise obtain the resources it needs and adapt its policies and operations to rapidly changing external conditions.

Quick Tip to Solve: For resources, explain the input-output exchange; for rapid changes, connect awareness of change with timely managerial adaptation.

OR

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

(i) Method study

(ii) Standardisation and simplification of work [4 marks]

Solution:

Concept:

- Scientific Management: Taylor advocated systematic study of work to improve efficiency and replace rule-of-thumb methods.
- Method study identifies the best way of performing a job; standardisation sets work standards, while simplification eliminates unnecessary variety.

Step 1: (i) Method study **Finding the best method:** Method study aims to find the one best way of doing a job. Management critically examines the entire operation, including the selection of materials, sequence of activities and delivery of the finished product, to determine the most suitable method of production.

Improving the use of resources: The objective is to minimise the cost of production and maximise the quality and satisfaction of customers. A carefully selected method removes unnecessary operations and improves the arrangement and use of resources. For example, an assembly-line arrangement may reduce material movement and enable work to proceed in a more efficient sequence.

Step 2: (ii) Standardisation and simplification of work **Standardisation:** This is the process of setting standards for every business activity, including processes, raw materials, time, products,

machinery, methods and working conditions. These standards provide benchmarks against which actual performance can be assessed and help establish uniformity of output.

Simplification: This means eliminating superfluous varieties, sizes and dimensions of products. Instead of maintaining unnecessary product variants, the business concentrates on a suitable, economical range. It saves the cost of labour, machines and tools, reduces inventories and enables fuller utilisation of equipment. Thus, standardisation establishes uniform standards, whereas simplification reduces unnecessary diversity in work and output.

Step 3: Conclusion Method study determines the best way to perform a job. Standardisation establishes benchmarks and uniformity, while simplification removes unnecessary varieties to improve efficiency.

Quick Tip to Solve: Keep the distinction clear: method study selects the best method, standardisation sets benchmarks, and simplification eliminates needless varieties.

26(a). State any four features of coordination. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: coordination is the process of integrating individual and departmental efforts to achieve organisational objectives.
- Coordination is the essence of management: its features explain how the efforts of different people become unified action.

Step 1: **Coordination integrates group efforts** Coordination unifies the efforts of individuals and departments and gives them a common focus. Different employees may have different interests, abilities and ways of working; coordination brings these contributions together so that the group works towards the objectives of the organisation.

Step 2: **Coordination ensures unity of action** Coordination acts as a binding force between departments and ensures that their activities are directed towards common goals. It links the timing and sequence of interdependent work, so that the contribution of one department supports the work of the others instead of creating conflict or duplication.

Step 3: **Coordination is a continuous process** Coordination is required throughout organisational activity and cannot be achieved through a single action. It begins with planning and continues through organising, staffing, directing and controlling. Managers must keep coordinating as work progresses and situations change.

Step 4: **Coordination is an all-pervasive function** Coordination is needed at every level of management and in every department because organisational activities are interdependent. Top, middle and supervisory managers all coordinate the work within their areas and with other units so that the organisation functions as an integrated whole.

Step 5: Conclusion The four features are integration of group efforts, unity of action, continuity and pervasiveness.

Quick Tip to Solve: For a features question, describe what coordination is like: integrates, unifies, continues and pervades.

OR

26(b). State any four points of importance of management. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: importance of management in achieving organisational goals and supporting people and society.
- Management coordinates resources and human effort so that objectives are achieved effectively and resources are used efficiently.

Step 1: Management helps in achieving group goals Management gives a common direction to individual efforts and guides employees towards the objectives of the organisation. People work with different needs and abilities; managers bring their efforts together so that the organisation can achieve its goals through coordinated action.

Step 2: Management increases efficiency Management aims to reduce costs and increase productivity through better planning, organising, staffing, directing and controlling. It promotes optimum use of available resources, such as people, money and materials, and helps avoid waste. Thus, organisational work is completed with greater efficiency.

Step 3: Management creates a dynamic organisation An organisation operates in an environment that keeps changing. Employees may resist change because they fear losing familiar working conditions or benefits. Management helps them understand and adapt to changes so that the organisation can respond to new circumstances and remain competitive.

Step 4: Management helps in achieving personal objectives Through motivation and leadership, management helps employees achieve their personal goals while contributing to organisational objectives. It seeks to reconcile individual needs with the goals of the organisation. For example, opportunities for recognition and advancement can encourage employees to work willingly towards shared goals.

Step 5: Conclusion Management helps achieve group goals, increases efficiency, creates a dynamic organisation and helps employees achieve personal objectives.

Quick Tip to Solve: Keep importance distinct from features: explain the benefits management brings to goals, resources, adaptation and employees.

27. 'Ratan Ltd.' and 'Lara Ltd.' are two companies with each having a capital employed of ₹ 20,00,000. 'Ratan Ltd.' had raised funds by issuing shares whereas 'Lara Ltd.'s' capital has 60% equity (in shares of ₹ 100 each) and 40% debt (comprising of 8% debentures). Both the companies have a Return on Investment of 10% and the tax rate is 40%.

State with reason which company will be able to give a better return to the shareholders. Show your calculations clearly. [4 marks]

Solution:

Concept:

- Financial Management: capital structure is the proportion of debt and equity used to finance the business.
- Trading on equity means using fixed-cost debt to increase the return available to equity shareholders when the return on investment exceeds the rate of interest on debt.

Step 1: Calculate operating profit and the financing amounts Both companies employ capital of Rs 20,00,000 and earn a return on investment of 10 percent. Therefore, each earns operating profit before interest and tax of Rs 2,00,000. Ratan Ltd. is financed entirely by equity, so its equity capital is Rs 20,00,000 and it has no interest expense. Lara Ltd. has equity capital of Rs 12,00,000 (60 percent of Rs 20,00,000) and debt of Rs 8,00,000 (40 percent). Its annual interest at 8 percent on Rs 8,00,000 is Rs 64,000.

Step 2: Calculate profit available to equity shareholders The comparative calculation is:

Particulars	Ratan Ltd. (Rs)	Lara Ltd. (Rs)
Profit before interest and tax	2,00,000	2,00,000
Less: Interest	Nil	64,000
Profit before tax	2,00,000	1,36,000
Less: Tax at 40 percent	80,000	54,400
Profit after tax	1,20,000	81,600
Equity share capital	20,00,000	12,00,000

Profit after tax is the amount earned for equity shareholders after meeting the prior interest obligation and tax liability.

Step 3: Compare returns on the equity capital invested Ratan Ltd. earns Rs 1,20,000 on equity capital of Rs 20,00,000, giving a return of 6 percent. Lara Ltd. earns Rs 81,600 on equity capital of Rs 12,00,000, giving a return of 6.8 percent. Thus, for every Rs 100 of equity capital, the earnings are Rs 6 in Ratan Ltd. and Rs 6.80 in Lara Ltd. Lara has 12,000 shares of Rs 100 each, so its earnings per share are Rs 6.80. The comparison is of return per unit of equity invested, rather than merely the total profit after tax.

Step 4: Explain the favourable financial leverage The operating return of 10 percent exceeds the debt interest rate of 8 percent. Consequently, the use of debt leaves a surplus for the smaller equity base after paying the fixed interest charge. This is favourable financial leverage, also called trading on equity. Although Lara has a lower total profit after tax, its shareholders earn a higher rate on their equity investment.

Step 5: Conclusion Lara Ltd. gives the better return to equity shareholders: 6.8 percent against Ratan Ltd.'s 6 percent, because its 10 percent return on investment exceeds its 8 percent cost of debt.

Quick Tip to Solve: Compare profit after tax as a percentage of equity capital; comparing total profits alone gives the wrong result.

28. Rishabh purchased a car for ₹ 8,00,000. He insured the car on the same day from Alex Insurance Company. Rishabh's car was stolen in Kedwan while he was on vacation with his family. He promptly filed a First Information Report (FIR), informed the insurer and submitted all the required documents.

To Rishabh's shock, the insurance company rejected his claim, alleging he had failed to take due care and had parked the car in an unsafe manner. Determined to challenge this, Rishabh wrote multiple letters to the insurance company, but the insurance company refused to pay the compensation.

Rishabh filed a case with District Commission. The District Commission was satisfied with the genuineness of the complaint and ordered the insurance company to pay a reasonable amount.

Identify and explain two consumer rights which have been exercised by Rishabh. [4 marks]

Solution:

Concept:

- Consumer Protection: the right to be heard enables consumers to raise complaints and have their interests considered by appropriate forums.
- Consumer Protection: the right to seek redressal enables consumers to obtain relief against unfair practices and deficient services.

Step 1: Identify and explain the right to be heard **Right to be heard:** A consumer has the right to file a complaint and be heard when dissatisfied with a good or service. The consumer's interests must receive due consideration at the appropriate forum. This right enables consumers to present their grievances and supporting evidence instead of having to accept a service provider's refusal without a hearing.

Rishabh exercised this right when he "wrote multiple letters to the insurance company" challenging its rejection of his claim. He also presented his complaint before the District Commission when the company continued to refuse compensation. These actions show that he raised his grievance and sought consideration of his case by the appropriate authority.

Step 2: Identify and explain the right to seek redressal **Right to seek redressal:** A consumer has the right to seek relief against unfair trade practices, restrictive trade practices or unscrupulous exploitation. Where a complaint is justified, appropriate relief may include compensation for loss or injury suffered because of defective goods or deficient services. The purpose is to provide an effective remedy for the consumer's grievance.

Rishabh exercised this right when he "filed a case with District Commission" to obtain relief against the insurer's refusal to settle the claim. The Commission found the complaint genuine and "ordered the insurance company to pay a reasonable amount". This order demonstrates redressal through monetary relief for his grievance relating to the insurance service.

Step 3: Conclusion The two consumer rights exercised by Rishabh are the right to be heard and the right to seek redressal.

Quick Tip to Solve: Link raising a complaint to the right to be heard, and seeking compensation or other relief to the right to seek redressal.

29. Hitesh started a garment manufacturing company recently. However, he soon began facing several problems like targets not met, conflicts among managers, high labour turnover, etc. He hired a management consultant to find out what was going wrong. The consultant conducted investigations and gave the following observations :

(i) In Production Department, workers were receiving instructions from both, the Production Manager and the Marketing Manager. As a result, there was a lot of confusion regarding tasks to be done.

(ii) Promotions were given only to women employees. Other employees did not get equal opportunities in the company to rise.

Identify and explain the two principles of management given by Fayol which are not being followed in Hitesh's company. [4 marks]

Solution:

Concept:

- Principles of Management: Fayol's principles of unity of command and equity regulate authority relationships and fair treatment of employees.
- A principle is identified by connecting the conduct described in the case with the managerial practice prescribed by Fayol.

Step 1: (i) Unity of command

- **Identification and evidence:** The principle violated is unity of command. The workers were "receiving instructions from both, the Production Manager and the Marketing Manager." Thus, the same workers had two sources of command for their work.
- **Explanation:** According to Fayol, each employee should receive orders from only one superior and be accountable to that superior. Dual command undermines authority, creates confusion and conflict, and makes responsibility difficult to fix. Here, workers were confused about the tasks to be done because two managers issued instructions. A clear reporting relationship with one immediate superior would remove this conflict.

Step 2: (ii) Equity

- **Identification and evidence:** The principle violated is equity. The consultant observed that "Promotions were given only to women employees" and other employees did not receive equal opportunities to rise.
- **Explanation:** Equity requires managers to treat employees with kindness and justice and to provide fair opportunities without discrimination on grounds such as sex, caste, religion or nationality. It does not require identical rewards regardless of performance; opportunities and decisions should be fair and based on relevant merit. Restricting promotion to women solely because of their sex discriminates against the other employees and can weaken loyalty and commitment. Fair promotion opportunities should therefore be available to all eligible employees.

Step 3: Conclusion The principles not being followed are **unity of command** in observation (i) and **equity** in observation (ii).

Quick Tip to Solve: Link two bosses to unity of command; link promotion discrimination to equity, rather than remuneration or unity of direction.

30. The students of class 11 of 'AL Public School' decided to host a farewell party to students of class 12. A core team was formed that brainstormed and identified various activities that needed to be performed for the same. It was decided that the arrangements for refreshments, sound and music, tentage, gifts, invitations and cultural programme are required to be made. The students then divided the work into manageable activities so that duplication is avoided and burden of work is shared.

The students were excited that they were managing the whole event themselves.

(i) The students of class 11 have performed one of the steps in the process of organising. Identify the step.

(ii) State the next three steps that the students need to perform to complete the process of organising successfully. [4 marks]

Solution:

Concept:

- Organising: the process comprises identification and division of work, departmentalisation, assignment of duties, and establishment of reporting relationships.
- Dividing the work identifies manageable tasks; grouping them, allocating them and defining authority relationships complete the organising process.

Step 1: (i) Identify the step already performed **Identification and division of work:** The students have identified the activities needed for the farewell party and divided the total work into manageable activities. The decisive words are "divided the work into manageable activities so that duplication is avoided and burden of work is shared." This is the first step of organising: identifying the work required to achieve the plan and dividing it into specific jobs. It enables work to be shared and avoids unnecessary duplication.

Step 2: (ii) State the next three steps in order

- **Departmentalisation:** Group similar or related activities together into departments or teams so that coordination becomes easier. For this event, the identified activities can be grouped into suitable teams for refreshments, sound and music, tentage, gifts, invitations and the cultural programme. This grouping follows the initial division of work.
- **Assignment of duties:** Allocate the work of each team to students according to their abilities, knowledge and aptitude. Clearly define each person's duties and responsibility so that everyone knows what work must be completed. Matching the job to a suitable person helps the teams perform their assigned activities effectively.
- **Establishing reporting relationships:** Specify who reports to whom and who has authority to give instructions or take decisions. Students should know their team leader and the relationship between the leaders and the core team. Clearly defined authority and responsibility help coordinate the different arrangements and allow problems to be referred to the appropriate person.

Step 3: Conclusion The completed step is **identification and division of work**. It is followed by **departmentalisation, assignment of duties, and establishing reporting relationships**, in that order.

Quick Tip to Solve: Remember the sequence: identify and divide, group related jobs, assign people, then establish who reports to whom.

31. 'Novel Stores' is a chain of grocery stores that has built its reputation on customer satisfaction. It is known for its high-quality products, including a wide variety of bakery, dairy products and ready-to-cook meal kits, etc. catering to diverse customer needs. The store regularly takes feedback from the customers and stocks items accordingly.

The store is popular among the customers for its attractive schemes such as 'buy one get one free' offers and weekly discounts, etc. which are advertised on its website.

Once the goods are manufactured, packaged, branded and promoted, 'Novel Stores' ensures that they are made available to customers at the right place, in the right quantity and at the right time. Customers can place orders online and choose to get them delivered at their home or pick them up from the store at a selected time. As a result, the revenues of 'Novel Stores' are growing every year and profits are increasing.

Identify and explain the elements of marketing mix highlighted in the above case. [6 marks]

Solution:

Concept:

- Marketing Management: marketing mix is the combination of product, price, promotion and place decisions used by a firm to achieve its marketing objectives in the target market.
- The case highlights product, promotion and place. An element is identified from the activity described, rather than merely from the mention of increasing revenues or profits.

Step 1: Product

- **Identification:** The words "high-quality products, including a wide variety of bakery, dairy products and ready-to-cook meal kits" and "takes feedback from the customers and stocks items accordingly" highlight product.
- **Explanation:** Product means the goods, services or anything of value offered to the market for exchange to satisfy customer needs. Product decisions include quality, features, variety, branding, packaging and labelling. Novel Stores offers a varied assortment that caters to diverse needs and uses customer feedback to select suitable items. Thus, its product offering is shaped around customer satisfaction.

Step 2: Promotion

- **Identification:** The schemes "buy one get one free" and "weekly discounts", which are "advertised on its website", highlight promotion.
- **Explanation:** Promotion includes activities that communicate the availability, features and merits of products to target customers and persuade them to buy. Its tools include advertising, personal selling, sales promotion and public relations. The store's special offers and temporary discounts are sales-promotion incentives; the website communicates these offers to customers. Their purpose is to attract attention and encourage purchases.

Step 3: Place or physical distribution

- **Identification:** The words "available to customers at the right place, in the right quantity and at the right time", together with home delivery and collection from the store, highlight place.
- **Explanation:** Place concerns making goods available to target customers at convenient locations. It includes decisions about channels of distribution and physical distribution activities such as order

processing, transportation, warehousing and inventory control. Online ordering, home delivery and collection at a selected time provide convenient access and ensure that goods reach customers when and where required.

Step 4: Conclusion The highlighted marketing-mix elements are **product, promotion and place (physical distribution)**. Together, these help Novel Stores satisfy customers and increase sales.

Quick Tip to Solve: Link variety and quality to product, special offers and their advertisement to promotion, and delivery or collection arrangements to place.

32(a). Explain any four points of importance of directing function of management. [6 marks]

Solution:

Concept:

- Directing: the managerial process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.
- Directing brings plans into action through people. Its importance includes initiating action, integrating employee efforts, realising employee potential and facilitating necessary changes.

Step 1: Initiates action and integrates employee efforts

- **Directing helps to initiate action:** Planning, organising and staffing prepare the organisation for work, but employees must actually carry out the tasks. Through instructions, guidance and supervision, directing tells employees what to do and how to perform their assigned duties. It therefore starts actual work towards the desired objectives and turns managerial decisions into purposeful action. For example, a supervisor's instructions enable workers to begin the scheduled production activities.
- **Directing integrates employee efforts:** Different people perform different activities at different levels of the organisation. Through directing, managers guide these activities towards common organisational goals so that each person's performance contributes to the work of others. It reduces the risk of employees pursuing disconnected activities or objectives. For example, a manager guides the sales team to work together towards the organisation's overall sales target.

Step 2: Develops employee potential and facilitates change

- **Directing helps employees realise their potential:** Employees may possess abilities that they do not fully use on their own. Appropriate motivation, effective leadership and guidance encourage them to apply their knowledge and skills more effectively. A supportive manager identifies their capabilities, guides their efforts and inspires better performance. Thus, directing helps employees contribute to the best of their abilities while working towards organisational objectives.
- **Directing facilitates introduction of needed changes:** Changes in technology, work methods or organisational arrangements may create uncertainty and resistance among employees. Managers use effective communication to explain the purpose and benefits of the proposed changes, answer doubts and secure cooperation. Guidance, motivation and leadership help employees understand and accept new methods. For example, explaining and demonstrating a new work procedure can reduce resistance and help employees adopt it successfully.

Step 3: Conclusion Directing is important because it **initiates action, integrates employee efforts, helps employees realise their potential and facilitates the introduction of needed changes**. These functions help people work effectively towards organisational objectives.

Quick Tip to Solve: For four points of importance, name four distinct NCERT headings and explain how each improves action, cooperation, performance or acceptance of change.

OR

32(b). Explain any four psychological barriers of communication. [6 marks]

Solution:

Concept:

- Directing: psychological barriers arise from the emotional or psychological state of the sender and receiver and obstruct effective communication.
- NCERT identifies premature evaluation, lack of attention, loss by transmission and poor retention, and distrust as psychological barriers.

Step 1: Explain barriers arising during reception

- **Premature evaluation:** This means judging a message before the sender has completed it. A receiver may form a judgement because of preconceived notions or prejudices instead of listening to the complete message. Such evaluation prevents the receiver from understanding the actual meaning intended by the sender. Effective communication requires an open mind and patient listening before drawing conclusions.
- **Lack of attention:** When the receiver is preoccupied with other matters, the receiver may not listen attentively to the message. For example, a superior absorbed in an important file may fail to hear a subordinate's explanation properly. Although the message is delivered, its meaning is not fully received because the receiver's mind is elsewhere.

Step 2: Explain barriers affecting preservation and acceptance

- **Loss by transmission and poor retention:** As information passes through several successive levels, part of it may be lost or distorted. Oral messages are especially vulnerable when passed from one person to another. People also retain only part of what they hear; poor retention can result from lack of interest or attention. Thus the final message understood or remembered may differ substantially from the original communication.
- **Distrust:** Distrust between the communicator and the receiver acts as a barrier. If the parties do not believe each other, they may doubt, reject or misunderstand even a clear message. A receiver who distrusts the sender is less likely to accept the information in the spirit in which it is conveyed. Mutual confidence is therefore necessary for effective communication.

Step 3: Conclusion The four psychological barriers are premature evaluation, lack of attention, loss by transmission and poor retention, and distrust.

Quick Tip to Solve: Keep loss by transmission and poor retention together as one NCERT psychological barrier, and explain all four named barriers.

33. 'Yummi Foods', a fast-growing snacks chain has been in business for the last 13 years. Realising that there is a growing demand for nutritious food, the company planned to enter the healthy snacks segment. They decided to hire a Marketing Manager with an experience in this segment. For this, they gave an advertisement in a leading newspaper and received more than 200 applications.

The Human Resource Manager carefully went through all the application forms and removed the application forms of those applicants who did not meet the basic qualifications. Short introductory interactions were also held to filter out candidates who did not match the job requirements. The shortlisted candidates were then asked to take a test designed to measure their intelligence, personality traits, etc. Candidates who performed well in the test were invited for a formal in-depth conversation to be evaluated on their suitability for the job. A job offer was made to a candidate for the role of a Marketing Manager through an appointment letter mentioning the joining date.

But before the job offer was made, 'Yummi Foods' had performed three steps in the process of selection which are not mentioned above.

Identify and explain the steps. [6 marks]

Solution:

Concept:

- Staffing: selection is the process of choosing the most suitable person from applicants for a job. Its successive steps test suitability and support the final appointment.
- After employment interview and before job offer, the NCERT sequence includes reference and background checks, selection decision and medical examination.

Step 1: Locate the omitted stages in the case The case describes preliminary screening through removal of forms that "did not meet the basic qualifications" and "short introductory interactions". The test measuring "intelligence, personality traits, etc." is a selection test. The "formal in-depth conversation" is an employment interview. Finally, the "appointment letter mentioning the joining date" represents the job offer. Therefore, the three intervening steps omitted from the description are as follows.

Step 2: Explain the three omitted steps

- **Reference and background checks:** Employers request names, addresses and telephone numbers of references to verify information supplied by applicants and obtain additional information. Previous employers, known persons, teachers or university professors can act as references. For Yummi Foods, this stage would help establish the shortlisted applicant's background and past experience before proceeding with appointment.
- **Selection decision:** The final decision is made from the candidates who have passed the tests, interviews and reference checks. The concerned manager's views are generally considered because that manager will be responsible for the new employee's performance. In this case, the company would select the candidate considered most suitable for the Marketing Manager's position after evaluating the information gathered in the earlier stages.
- **Medical examination:** After the selection decision and before the job offer, the candidate is required to undergo a medical fitness test. The job offer is conditional upon the candidate being declared medically fit. For Yummi Foods, this step would establish the selected candidate's medical fitness before the appointment letter was issued.

Step 3: Conclusion The three omitted steps are reference and background checks, selection decision, and medical examination, in that order.

Quick Tip to Solve: Place the missing stages between the interview and the job offer: verify references, decide whom to select, then check medical fitness.

34(a). Explain the following points of importance of delegation :

(i) Employee development

(ii) Motivation of employees

(iii) Effective management [6 marks]

Solution:

Concept:

- Organising: delegation means entrusting responsibility and authority to a subordinate to carry out assigned work. The superior remains accountable for its overall performance.
- Delegation develops subordinates, satisfies their psychological needs and enables managers to concentrate on work requiring their attention. Its importance extends to both employees and managers.

Step 1: (i) Employee development **Employee development:** Delegation gives employees opportunities to exercise their skills and abilities in carrying out meaningful tasks. When a manager entrusts responsibility and grants the authority needed to discharge it, employees gain experience in making decisions and solving problems. They learn through actual performance instead of merely following detailed instructions. As they handle increasingly demanding assignments, they develop new skills, improve their existing abilities and build managerial talent. This prepares them for greater responsibilities and more challenging positions in the future. Thus, delegation is an important means of developing employees within the organisation.

Step 2: (ii) Motivation of employees **Motivation of employees:** Delegating responsibility and authority shows the superior's confidence and trust in the subordinate. Employees feel that their abilities are recognised and that their contribution matters to the organisation. The responsibility for a task gives them an opportunity to demonstrate their competence, while authority allows them to exercise initiative in performing it. This recognition helps satisfy their needs for esteem and achievement and increases their self-confidence. Employees consequently feel encouraged to perform better and put greater effort into achieving the assigned objectives. Delegation therefore motivates employees through trust, recognition and meaningful participation in work.

Step 3: (iii) Effective management **Effective management:** Delegation reduces a manager's workload by allowing subordinates to carry out routine tasks and make decisions within the authority given to them. The manager can then devote more time and attention to important matters, such as setting priorities, dealing with exceptional problems and developing future plans. This improves the use of managerial time and enables the manager to excel in key areas requiring personal judgement. Subordinates also contribute to the achievement of objectives by handling the duties entrusted to them. The manager supervises their work and remains accountable, while the sharing of responsibility

makes management more effective.

Step 4: Conclusion Delegation develops employees through experience, motivates them through trust and recognition, and improves managerial effectiveness by freeing managers to concentrate on key responsibilities.

Quick Tip to Solve: Link development to learning by doing, motivation to trust and recognition, and effective management to time for important tasks.

OR

34(b). Explain the following points of importance of planning :

(i) Planning provides directions

(ii) Planning reduces overlapping and wasteful activities

(iii) Planning establishes standards for controlling [6 marks]

Solution:

Concept:

- Planning: planning means deciding in advance what to do and how to do it. It sets objectives and determines the course of action to achieve them.
- Planning guides organisational effort, coordinates activities to avoid waste, and supplies the standards against which controlling measures actual performance.

Step 1: (i) Planning provides directions **Planning provides directions:** Planning clearly states the objectives to be achieved and specifies how work is to be carried out. It acts as a guide for action by indicating what employees and departments must do to contribute to the organisation's goals. When objectives are set in advance, employees know the direction in which their efforts should move and managers can ensure that activities remain purposeful. This creates unity of action because the work of different departments is directed towards common objectives. Without planning, employees may work without knowing the purpose of their activities, and the organisation may fail to reach its goals. Planning therefore gives a clear focus to individual and collective effort.

Step 2: (ii) 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. By clarifying the work to be performed and the way activities relate to one another, plans help avoid duplication of effort and unnecessary repetition. Clear plans reduce confusion and misunderstanding, so employees can work together more smoothly. They also help managers identify activities that do not contribute to the objectives and eliminate or modify them. As a result, time, money and other resources are used more efficiently. Thus, planning reduces overlapping work and waste while helping the organisation achieve its objectives with greater coordination.

Step 3: (iii) Planning establishes standards for controlling **Planning establishes standards for controlling:** Planning specifies the goals or targets to be achieved. These targets become the standards used in controlling to assess actual performance. Managers measure the work actually done and

compare it with the planned standards to identify deviations. This comparison shows whether activities are moving towards the desired results and provides a basis for taking corrective action where required. For example, a planned production target provides the standard against which actual output can be compared. Without predetermined objectives and standards, managers would have no clear basis for judging whether performance is satisfactory. Planning therefore makes effective controlling possible; planning and controlling are closely related functions.

Step 4: Conclusion Planning gives direction through clear objectives, reduces duplication and waste through coordinated action, and establishes the standards needed to evaluate and correct performance.

Quick Tip to Solve: Remember the sequence: objectives guide action, coordinated plans prevent duplication, and planned targets become controlling standards.