CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/5/2

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.
(viii) Questions no. **1 to 20** are Multiple Choice Questions (MCQs), carrying **1** mark each. $20 \times 1 = 20$

1. '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: A divisional structure groups activities around different products or product lines.
- Each division has its own functions and operates as an autonomous unit, encouraging flexibility, initiative and accountability.

Step 1: Identify the basis of the proposed structure Deccan Motors proposes separate divisions for 'commercial vehicles and passenger vehicles'. Each product division can take decisions suited to its own customers and operating requirements, rather than routing every issue through common functional departments.

Step 2: Test each option **(A):** Autonomous divisions encourage flexibility and initiative, so this is the stated benefit. **(B):** Divisions may duplicate functions and resources; minimal duplication and economies of scale are functional-structure benefits. **(C):** Easier training through a limited range of skills also belongs to functional organisation. **(D):** Occupational specialisation arises from grouping similar functions, rather than grouping activities by product.

Step 3: Conclusion The benefit is greater flexibility and initiative because each division functions as an autonomous unit. Hence, the correct option is (A).

Quick Tip to Solve: When a case separates product lines, look for product autonomy and responsibility as divisional benefits.

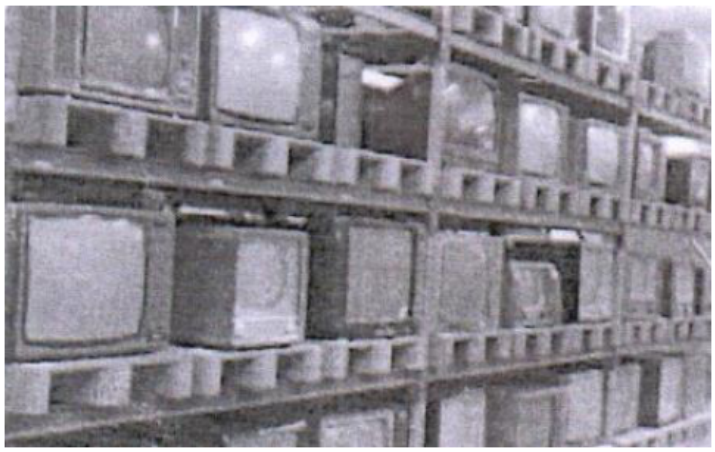
2. Identify the shift in the marketing management philosophy from Picture I to Picture II.

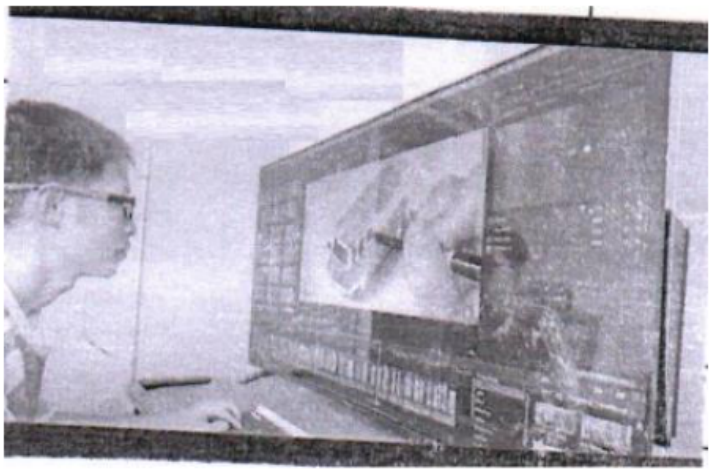
Mass Production of Televisions

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: The production concept stresses availability and affordability through large-scale production and efficiency.
- The product concept stresses superior quality, performance and innovative product features.

Step 1: Interpret the two pictures Picture I is captioned 'Mass Production of Televisions', which

highlights producing large quantities and therefore the production concept. Picture II shows 'Use of Television as a Computer Monitor'. This additional use reflects improved product functionality and features, pointing to the product concept.

Step 2: Compare the proposed shifts **(A):** Correctly moves from large-scale production to improved features. **(B):** Societal marketing requires concern for consumer welfare and society, which the second picture does not show. **(C):** The first picture does not establish societal marketing, and the second does not emphasise mass production. **(D):** Reverses the sequence actually depicted.

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

Quick Tip to Solve: Distinguish quantity and availability in production from performance and additional features in the product concept.

3. 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: Capital structure is the proportion of debt and equity used to finance a business.
- NCERT factors affecting capital structure include cash flow position, return on investment and stock market conditions; financing alternatives is a factor in financial planning.

Step 1: Identify the factor outside the specified list The question asks for the option that is **not** a factor affecting capital structure. In the NCERT classification, financial planning evaluates financing alternatives to secure funds at the right time. This phrase is not one of the listed factors affecting the debt-equity composition.

Step 2: Verify the remaining choices **(A):** Cash flow position determines the ability to meet interest and repayment obligations. **(B):** Return on investment helps decide whether debt can improve the return available to equity shareholders through trading on equity. **(D):** Stock market conditions affect how attractive or feasible an equity issue is. These are all recognised capital-structure factors, leaving **(C)** as the required exception.

Step 3: Conclusion Financing alternatives is the exception in the stated NCERT classification. Hence, the correct option is (C).

Quick Tip to Solve: For a negative MCQ, confirm that the other three choices appear in the textbook list before selecting the exception.

4. 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 explains motivation through a hierarchy of human needs, from basic physiological needs to self-actualisation.
- An unsatisfied need motivates behaviour; a substantially satisfied need ceases to be a motivator, and the next higher need becomes important.

Step 1: Check the statement about satisfaction Option (C) says that only a satisfied need can motivate a person. This reverses the theory: it is an **unsatisfied need** that motivates a person to act. Once a need has been satisfied, it no longer provides the same stimulus to behaviour.

Step 2: Check the other statements **(A):** Correctly states that behaviour is based on needs. **(B):** Correctly places needs in a hierarchy from basic to higher-level needs. **(D):** Correctly expresses the movement towards the next higher need after satisfaction of the lower need, as presented in the textbook. Since the question asks for the incorrect statement, these three are excluded.

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: In Maslow questions, link motivation to an unsatisfied need and check whether the question asks for the incorrect statement.

5. '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: Plans are based on forecasts and assumptions about future business conditions.
- Planning may not work in a dynamic environment because unexpected economic, political, technological or competitive changes can upset those assumptions.

Step 1: Match the case evidence to the limitation Renew Ltd. aimed to increase market share from 70% to 80%. However, government incentives attracted new competitors, and the case states that the change 'happened suddenly' and the company could not 'accurately assess future trends'. The changing competitive environment therefore undermined its plan, and its share fell to 55%.

Step 2: Eliminate the alternatives **(A):** Directly describes the unexpected external change. **(B):** Rigidity would require evidence that a fixed plan prevented adaptation; that is not the stated emphasis. **(C):** Lack of guaranteed success is a general limitation, but the case specifically identifies changing environmental conditions as the cause. **(D):** No high expenditure on planning is mentioned.

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 government action suddenly changes competition and forecasts fail, select the dynamic-environment limitation.

6. "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: Management principles provide guidance for decision-making and their application depends on circumstances.
- The contingent nature means that applying a principle depends upon the prevailing situation at a particular point of time.

Step 1: Identify the decisive wording The statement says that application is 'dependent upon the prevailing situation at a particular point of time'. Dependence on the specific situation is exactly the meaning of the **contingent** nature of management principles.

Step 2: Distinguish the other features **(A):** General guidelines means principles guide managerial action rather than prescribe rigid solutions. **(B):** Flexible means managers can modify principles to suit circumstances; the given wording more specifically defines contingency. **(C):** Mainly behavioural refers to their concern with influencing human behaviour. **(D):** Directly states situation-dependent application and is therefore the best match.

Step 3: Conclusion The statement highlights the contingent nature of principles of management. Hence, the correct option is (D).

Quick Tip to Solve: Use the phrase "depends upon the prevailing situation" as the direct cue for the contingent feature.

---

7. 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 influence the price chosen for a product.

- Product quality leadership generally requires a higher price to cover superior quality and the associated research and development costs.

Step 1: Relate quality leadership to price A business seeking **product quality leadership** offers superior quality and incurs costs to develop and maintain it. It normally charges a higher price to cover these quality and research and development costs and support the desired product position.

Step 2: Assess the other objectives **(A):** Market share leadership normally uses a lower price to attract more buyers. **(B):** Survival in a competitive market may require reducing prices to sustain sales and operations. **(D):** Long-run profit maximisation may also favour a lower price to build demand and market share; it does not specifically require a high current price. **(C)** is the objective most directly associated with higher pricing.

Step 3: Conclusion Attaining product quality leadership leads to a higher price being fixed. Hence, the correct option is (C).

Quick Tip to Solve: Associate quality leadership with a premium price; associate market share leadership and survival with lower pricing.

8. 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: specific and general forces in the business environment.
- General forces affect the business community broadly; specific forces directly affect individual enterprises.

Step 1: Judge Assertion (A) Assertion (A) is correct. Social, political, legal and technological conditions are general forces. They influence the broader environment within which firms operate and affect an individual firm indirectly.

Step 2: Judge Reason (R) Reason (R) is also correct. General forces have an impact on all business

enterprises, whereas specific forces, such as customers, suppliers, investors and competitors, affect an individual enterprise directly and immediately in its day-to-day work.

Step 3: Check the explanatory connection and alternatives The reason explains the assertion by contrasting the broad influence of general forces with the direct influence of specific forces. Thus (A) fits both truth and explanation. Option (B) wrongly denies the explanatory link; (C) wrongly calls both statements incorrect; and (D) wrongly rejects the reason.

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

Quick Tip to Solve: For general versus specific forces, ask whether the influence is broad or directly tied to one firm.

9. '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: stock market reaction as a factor affecting the dividend decision.
- Managers consider the likely effect of changes in dividend on the market price of equity shares.

Step 1: Identify the decisive evidence The Chief Finance Officer wants to evaluate the 'impact of dividend on the share price of previous years'. The case also says that the share price rose when dividend increased and dipped when dividend decreased. These clues identify stock market reaction.

Step 2: Check each alternative Option (B) directly concerns the response of share prices to dividend decisions. Option (A), access to capital market, concerns the ability to raise funds externally. Option (C), shareholders preference, concerns shareholders' preference for current dividend or retained earnings. Option (D), cash flow position, concerns cash available for paying dividend. None of these three is the factor the officer specifically proposes to evaluate.

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

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

10. 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: political and legal dimensions of the business environment.
- Legal environment covers compulsory laws and regulatory standards; political environment includes government policy and its attitude towards business.

Step 1: Match both government actions The government has 'ordered new safety standards for batteries'. Mandatory compliance with these standards belongs to the legal environment. The government has also 'announced a reduction in import duties', indicating a government policy decision affecting business and thus the political environment among the given alternatives.

Step 2: Eliminate the other combinations Option (D) contains both required dimensions. Option (A) includes legal environment but incorrectly adds technological environment: no new technological invention or production technique is described. Option (B) omits the legal dimension and adds technological environment. Option (C) includes legal environment but incorrectly adds social environment: there is no change in social values, traditions or consumer attitudes in the case.

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

Quick Tip to Solve: Distinguish a compulsory safety rule from an invention: a regulation points to the legal environment.

11. Answerability for outcome of the assigned task is known as _____. [1 mark]

(A) Authority

(B) Responsibility

(C) Accountability

(D) Delegation

Correct Answer: (C) Accountability

Solution:

Concept:

- Organising: accountability as an element of delegation.
- Authority is the right to command; responsibility is the obligation to perform; accountability is answerability for the final outcome.

Step 1: Match the definition The key expression is 'Answerability for outcome of the assigned task'. Accountability means being answerable to a superior for the final results of an assigned task. It arises from responsibility and requires the subordinate to explain performance.

Step 2: Distinguish all alternatives Option (C) is therefore correct. Option (A), authority, is the right to give orders and take decisions. Option (B), responsibility, is the obligation to carry out the assigned duty. Option (D), delegation, is the broader transfer of authority from a superior to a subordinate, involving authority, responsibility and accountability; it is not the name for answerability alone.

Step 3: Conclusion Answerability for the outcome of an assigned task is accountability. Hence, the correct option is (C).

Quick Tip to Solve: Remember the sequence: authority gives the right, responsibility creates duty, accountability requires an answer.

12. 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:

- Directing: democratic, autocratic and laissez-faire leadership styles.

- Democratic leadership involves consultation; laissez-faire leadership grants extensive independence; autocratic leadership centralises decisions.

Step 1: Evaluate Statement I Statement I is false. A high degree of independence to formulate objectives and decide how to achieve them describes laissez-faire or free-rein leadership. In democratic leadership, the leader makes decisions in consultation with subordinates and encourages their participation.

Step 2: Evaluate Statement II Statement II is true. An autocratic leader gives orders and expects subordinates to obey them. Communication is one-way, from the leader to followers, and subordinates act according to the commands given by the manager.

Step 3: Compare the combinations Option (B) correctly gives Statement I as false and Statement II as true. Option (A) reverses both judgments. Option (C) incorrectly accepts Statement I, and option (D) incorrectly rejects Statement II.

Step 4: Conclusion Statement I is false and Statement II is true. Hence, the correct option is (B).

Quick Tip to Solve: Independent goal-setting signals free-rein leadership; consultation signals democratic leadership.

13. 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:

- Financial Management: factors affecting working capital requirements.
- Working capital finances day-to-day operations; more inventory or more liberal credit to customers increases funds tied up in current assets.

Step 1: Explain the higher requirement A high level of competition can require a business to maintain larger stocks for prompt delivery and offer more liberal credit to customers. More money is then tied up in inventories and receivables, so working capital requirements increase. Thus option (C) is correct.

Step 2: Check why the other choices do not fit Option (A): trading organisations generally require less working capital than manufacturing organisations because they do not process raw materials into finished goods. Option (B): a short processing cycle releases funds sooner and reduces the working capital tied up in production. Option (D): a strict credit policy towards debtors reduces credit sales or speeds collection, so less money remains blocked in receivables.

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

Quick Tip to Solve: More customer credit and larger stocks tie up funds; quicker production and collection release funds.

14. 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:

- Staffing: performance appraisal as a step in the staffing process.
- Performance appraisal evaluates an employee's current or past performance against predetermined standards.

Step 1: Identify the staffing step The phrase 'current and/or past performance is evaluated against certain pre-determined standards' gives the definition of performance appraisal. Actual employee performance is assessed against established expectations, helping the organisation judge effectiveness and give feedback.

Step 2: Distinguish the remaining steps Option (B) matches the definition. Option (A), placement and orientation, assigns the selected employee to a job and introduces the employee to the organisation. Option (C), promotion and career planning, concerns advancement and future career opportunities; appraisal may inform these decisions but is a distinct step. Option (D), recruitment, searches for prospective employees and encourages them to apply for jobs.

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

Quick Tip to Solve: Evaluation against predetermined performance standards is the direct clue for performance appraisal.

15. 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:

- Financial Markets: a Demat account holds securities in electronic or dematerialised form through a Depository Participant.
- A Depository Participant acts as the intermediary between the investor and the depository; securities

and money are handled through different accounts.

Step 1: Identify the purpose of the account A Demat account records the securities owned by an investor in electronic form. Securities purchased are credited to this account, and securities sold are debited from it. Therefore, holding and transferring securities in the Demat form is precisely its purpose.

Step 2: Eliminate the other alternatives Option (B) describes the broker-client agreement associated with opening a trading account, rather than the purpose of a Demat account. Option (C) concerns payment for purchases, which requires funds through the banking and settlement arrangements. Option (D) concerns cash transactions; a Demat account maintains securities, not a cash balance.

Step 3: Conclusion The correct option is (A): For holding and transferring securities in the Demat form.

Quick Tip to Solve: Remember the three roles: Demat holds securities, trading executes orders, and the bank account handles money.

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

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

	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.

(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:

- Planning: types of plans include policy, programme, method and strategy, each with a different purpose.
- A policy guides thinking, a programme combines project details and resources, a method prescribes how work is done, and a strategy is a comprehensive plan.

Step 1: Match each type of plan with its definition Policy is a general statement that guides thinking and channelises energies in a particular direction, so a matches (iv). Programme is a detailed statement of a project covering objectives, policies, procedures, rules, tasks, resources and budget, so b matches (ii).

Step 2: Complete the matching and check the alternatives Method prescribes the way or manner of performing a task, so c matches (i). Strategy is a comprehensive plan for accomplishing organisational objectives while considering the business environment, so d matches (iii). Option (A) interchanges policy and programme. Option (C) interchanges method and strategy. Option (D) wrongly assigns the method definition to programme and the programme definition to method.

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: Use the key words: policy guides thinking; programme details a project; method tells how; strategy is comprehensive.

17. 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: financial incentives include perquisites, bonus, retirement benefits and profit sharing.
- Perquisites are benefits over and above salary, such as car allowance, housing and medical facilities.

Step 1: Identify the incentive from the case The case expressly mentions benefits "over and above the salary and specifies "car allowance, housing facilities, medical benefits. These are perquisites, which form part of the additional benefits offered to employees to improve satisfaction and retain them.

Step 2: Check why the other options fail Option (A), bonus, is an additional payment over regular salary and does not name the package of facilities described. Option (B), retirement benefits, refers to benefits such as pension, gratuity or provident fund that provide security after retirement. Option (D), profit sharing, means giving employees a share in the profits of the organisation. The case states neither a retirement arrangement nor a share of profits.

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

Quick Tip to Solve: When a case lists housing, car allowance or medical facilities over salary, identify the incentive as perquisites.

18. 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 is a feature of a profession.
- Management does not fully satisfy restricted entry: no compulsory professional qualification is required for appointment as a manager in the NCERT comparison.

Step 1: Evaluate Statement I Statement I is false. Entry into a profession is restricted through prescribed qualifications, an examination or an educational degree. For example, professional practice requires specialised education and fulfilment of entry requirements. The statement incorrectly says that entry is not restricted.

Step 2: Evaluate Statement II and check the options Statement II is true in the textbook comparison of management with a profession. There is no compulsory educational qualification restricting anyone from being designated or appointed as a manager, although management education and professional knowledge are desirable. Option (A) reverses both judgements. Option (C) wrongly treats Statement I as true, and option (D) wrongly treats Statement II as false.

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

Quick Tip to Solve: Separate the features of a full profession from how far management actually meets each feature; here the test is restricted entry.

19. 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:

- Financial Markets: safety of transactions is a function of a stock exchange.
- Regulated membership and dealings defined within the legal framework promote fair and safe trading for the investing public.

Step 1: Judge the Assertion Assertion (A) is correct. A stock exchange provides a regulated market in which the investing public receives a safe and fair deal in transactions. This refers to orderly and fair dealings; it does not mean that investors are guaranteed profits or protected against every change in share prices.

Step 2: Judge the Reason Reason (R) is also correct. Membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework. These arrangements govern how market participants conduct transactions.

Step 3: Determine the explanatory link and eliminate alternatives Regulation of membership and legally defined dealings are the safeguards that produce the safe and fair trading environment stated in the Assertion. Thus the Reason directly explains the Assertion. Option (B) incorrectly denies this link. Option (C) wrongly rejects both true statements, while option (D) wrongly rejects the true Reason.

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

Quick Tip to Solve: For this assertion-reason pair, link the legal framework and regulated membership directly to safety and fairness of transactions.

20. 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: recommendation of employees is an external source of recruitment.
- Under this source, existing employees introduce suitable friends or relatives; the candidates themselves come from outside the organisation.

Step 1: Identify the source from the case evidence The company asked "present employees to introduce any friend or relative possessing the required skills. The defining feature is that existing employees recommend suitable outside candidates. Therefore, the source is recommendation of employees.

Step 2: Check the other alternatives Option (A), direct recruitment, involves displaying a notice with job details and recruiting from applicants who assemble or apply directly; the location of this notice at reception does not change its explicit request for employee recommendations. Option (C), transfer, moves an existing employee between jobs or departments, generally at the same level. Option (D), promotion, moves an existing employee to a higher position. Neither transfer nor promotion supplies the external fresh graduates requested in this case.

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

Quick Tip to Solve: Identify who introduces the candidates: a notice asking staff to suggest friends or relatives signals recommendation of employees.

21. '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 performance conforms to planned performance by identifying deviations and taking corrective action.
- The standard has already been set at 30,000 units, and actual performance has already been measured at 27,000 units. The Production Manager must carry out the remaining steps of controlling.

Step 1: Compare actual performance with standards **Comparing actual performance with standards:** The manager compares the actual output of 27,000 mobile phones with the target of 30,000 for December 2025. The comparison reveals an adverse deviation, or shortfall, of 3,000 units. This establishes the extent to which the production target has not been achieved.

Step 2: Analyse the deviation **Analysing deviations:** The manager must determine the causes of the shortfall and concentrate attention on significant deviations. The instruction to 'find out' the problem points to this investigation. Possible causes to investigate include machine breakdown, shortage of materials or inadequate worker performance; the case does not establish which of these actually occurred.

Step 3: Take corrective action **Taking corrective action:** After establishing the cause, the manager takes suitable action to remove it and prevent recurrence. For example, a verified machine fault calls for repairs, while a verified skill deficiency calls for training. This fulfils the instruction to 'resolve the problem' and brings subsequent performance into line with the standard.

Step 4: Conclusion The required steps are comparing actual performance with standards, analysing deviations, and taking corrective action.

Quick Tip to Solve: When a case already gives both a target and measured output, begin with comparison, then explain diagnosis and corrective action.

22. '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: marketing management philosophies guide an organisation's approach to achieving its marketing objectives.
- The marketing concept emphasises customer satisfaction; the societal marketing concept adds concern for society's long-term interests to customer needs and organisational goals.

Step 1: Identify and explain the marketing concept **Marketing concept:** The key to achieving the firm's goals is identifying the needs and wants of the target market and satisfying them more effectively than competitors. Customer satisfaction is the route to profit, so decisions begin with customers' requirements rather than merely with existing products. Premier Ltd. designs clothing after 'carefully understanding the needs of its present and prospective buyers'. The case also states that profit can be maximised when decisions are taken 'from the point of view of customer satisfaction'. These statements establish its customer-oriented approach.

Step 2: Identify and explain the societal marketing concept **Societal marketing concept:** Marketing should deliver customer satisfaction while preserving or enhancing consumers' and society's long-term well-being. It balances the firm's profits, consumers' wants and society's interests. Premier Ltd. shows 'a deep concern for the long-term well-being of the society'. Its use of organic cotton and recycled polyester reduces environmental harm, its old-clothes recycling programme reduces waste, and its contribution to environmental education promotes social welfare. These actions extend its concern beyond immediate customer satisfaction.

Step 3: Conclusion Premier Ltd. follows the marketing concept and the societal marketing concept: it seeks profit through satisfied customers while also protecting society's long-term welfare.

Quick Tip to Solve: Link customer-needs evidence to the marketing concept and environmental or long-term social-welfare evidence to societal marketing.

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

Solution:

Concept:

- Financial Management: financial planning involves estimating the funds required by a business and deciding their sources so that funds are available when needed.
- Its importance includes preparing for future requirements, reducing financial uncertainty and avoiding unnecessary surpluses or shortages of funds.

Step 1: Anticipate future financial requirements **Forecasting future requirements:** Financial planning helps forecast what may happen in the future under different business situations. It estimates the funds needed for proposed activities and the time at which they will be required. The firm can therefore arrange finance in advance and respond more effectively to future requirements rather than waiting until a need becomes urgent.

Step 2: Prepare for financial uncertainty **Avoiding business shocks and surprises:** By anticipating possible changes in financial conditions, financial planning helps the organisation prepare for them. For example, a forecast of a period with inadequate cash receipts can prompt advance arrangements for funds. Such preparation reduces unexpected disruption and improves the firm's ability to cope with uncertain financial circumstances.

Step 3: Prevent wastage and duplication **Linking present decisions with the future:** Financial planning links current financial decisions with the firm's future requirements. Managers assess how today's commitments will affect the availability and use of funds later. This coordination helps avoid wastage and duplication of financial effort and supports the effective use of available resources in achieving business objectives.

Step 4: Conclusion Three points of importance are forecasting future financial requirements, avoiding business shocks and surprises, and linking present financial decisions with future requirements to avoid wastage and duplication.

Quick Tip to Solve: For each importance point, state a clear benefit of financial planning and explain how anticipating future funds produces that benefit.

OR

23(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 long-term assets, such as land, buildings, plant and machinery, used by a business over several years.
- Fixed capital requirements depend on the nature of operations, their scale and the production technique adopted. These factors determine how much money must be committed to long-term assets.

Step 1: Consider the nature and scale of operations

- **Nature of business:** A trading concern generally needs less fixed capital because it mainly purchases and sells finished goods and does not require manufacturing plant and machinery. A manufacturing concern generally requires more fixed capital to establish production facilities.
- **Scale of operations:** A business operating on a large scale needs more fixed capital because it requires larger production facilities, more machinery and greater storage space. A business operating on a smaller scale generally needs a lower investment in these assets.

Step 2: Consider the production technique

- **Choice of technique:** A capital-intensive organisation requires more fixed capital because it relies heavily on machines and equipment. A labour-intensive organisation generally requires less fixed capital because it uses relatively more labour and less machinery for production.

Step 3: Conclusion Three factors determining a company's fixed capital requirement are the nature of its business, its scale of operations and its choice of production technique.

Quick Tip to Solve: Link each factor directly to investment in long-term assets: manufacturing, a larger scale and a capital-intensive technique generally increase fixed capital needs.

24(a). State any three points of differences between 'Primary Market' and 'Secondary Market'.

[3 marks]

Solution:

Concept:

- Financial Markets: the primary market deals in new securities issued to investors, while the secondary market deals in the purchase and sale of securities already issued.
- The primary market channels savings into new investment by enterprises. The secondary market provides liquidity and marketability to existing securities by allowing investors to transfer their holdings.

Step 1: Identify the nature of the two markets A company raising funds through a fresh issue of securities uses the primary market, also called the new issues market. When an investor subsequently sells those securities to another investor, the transaction takes place in the secondary market. The following distinctions follow from this difference in their functions.

Step 2: State three differences

Basis	Primary market	Secondary market
Nature of securities	It deals in new securities being issued for the first time.	It deals in existing securities that have already been issued.
Parties to the transaction	Securities are sold by the issuing company to investors, directly or through an intermediary.	Securities are bought and sold between investors; the issuing company is not the seller in these transactions.
Flow of funds	Funds flow from investors to the issuing enterprise and provide it with capital.	Funds pass from the purchasing investor to the selling investor; the enterprise receives no fresh capital from the resale.

Step 3: Conclusion The primary and secondary markets differ in the nature of securities traded, the parties involved and the destination of funds. A fresh issue raises capital for the enterprise; resale transfers an existing investment between investors.

Quick Tip to Solve: Track who receives the money: the issuing company receives funds in a fresh issue, while the selling investor receives funds in a secondary-market sale.

OR

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

Solution:

Concept:

- Financial Markets: the Securities and Exchange Board of India (SEBI) regulates the securities market with the overall purpose of protecting investors and promoting the market's orderly development.
- SEBI's objectives express the outcomes it seeks. These include fair market practices, protection of investors and effective regulation of market intermediaries.

Step 1: State the objectives relating to market fairness and investor protection

- **Prevent trading malpractices:** SEBI aims to prevent malpractices in trading, such as price rigging and insider trading. Curbing such practices helps prevent manipulation of securities prices and promotes fair dealings in the securities market.
- **Protect investors' rights and interests:** SEBI aims to safeguard investors and to guide and educate them about their investments. Investor education helps people understand securities-market risks and make informed investment decisions, while protection strengthens confidence in the market.

Step 2: State the objective relating to intermediaries

- **Develop a code of conduct and fair practices for intermediaries:** SEBI aims to promote ethical conduct among intermediaries such as brokers and merchant bankers. A code of conduct encourages honest and responsible dealings, making intermediaries competitive and professional in the services they provide to investors and issuers.

Step 3: Conclusion Three objectives of SEBI are to prevent trading malpractices, protect and educate investors, and develop a code of conduct and fair practices for securities-market intermediaries.

Quick Tip to Solve: Use the three NCERT anchors: prevent malpractices, protect investors, and develop fair conduct among intermediaries. Explain the intended outcome of each.

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

(i) Scientific decisions

(ii) Providing managers with useful insights into reality [4 marks]

Solution:

Concept:

- Principles of Management: significance of management principles in making scientific decisions and providing useful insights into real managerial situations.
- Management principles are broad guidelines developed through observation, experimentation and experience. Managers apply them with judgement to suit the circumstances.

Step 1: (i) Scientific decisions

- **Logical and balanced decisions:** Management principles help managers make decisions based on logic and an objective assessment of the situation, rather than personal bias, intuition or trial and error. They direct attention to relevant facts and the likely consequences of an action.
- **Tested reasoning:** Principles emphasise sound cause-and-effect reasoning. Decisions based on them can be justified through facts and the expected relationship between an action and its result. This makes decisions more scientific and timely. For example, a manager can examine whether an employee receives orders from more than one superior and apply unity of command to remove conflicting instructions.

Step 2: (ii) Providing managers with useful insights into reality

- **Better understanding of situations:** Management principles increase managers' knowledge and understanding of managerial situations. They help managers recognise relationships and problems in the workplace and understand the circumstances affecting an organisation.
- **Learning from accumulated experience:** Principles represent knowledge gained through the experience of others. Managers need not rediscover everything through their own mistakes; they can use these insights to improve managerial efficiency. For example, knowledge of division of work helps a manager understand how specialisation can improve proficiency and output, while adapting the allocation of work to the actual organisation.

Step 3: Conclusion Scientific decisions rest on logic and facts, while useful insights into reality help managers understand situations and benefit from accumulated managerial experience.

Quick Tip to Solve: For scientific decisions stress logic and facts; for useful insights stress understanding situations and learning from others' experience.

OR

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

(i) Differential piece wage system

(ii) Time study [4 marks]

Solution:

Concept:

- Principles of Management: Taylor's techniques of scientific management use scientific standards and incentives to improve efficiency and productivity.
- Differential piece wages distinguish efficient from inefficient workers, whereas time study determines the standard time needed for a well-defined job.

Step 1: (i) Differential piece wage system

- **Different wage rates:** Taylor advocated distinguishing between efficient and inefficient workers and rewarding efficient workers. A standard of performance is first fixed scientifically. Workers who achieve or exceed the standard receive a higher piece rate, while those whose output falls below the standard receive a lower piece rate.
- **Incentive to improve efficiency:** The difference in rates makes the reward for attaining the standard substantial and encourages less efficient workers to improve. For example, suppose the standard is 10 units a day, the higher rate is Rs 50 per unit and the lower rate is Rs 40 per unit. A worker producing 10 units receives Rs 500, while a worker producing 9 units receives Rs 360. Each rate applies to the worker's entire output according to performance.

Step 2: (ii) Time study

- **Determining standard time:** Time study determines the standard time required to perform a well-defined job. Time-measuring devices are used to observe and record the time taken for the elements of the task. Several readings are taken, and the standard time is fixed after considering the frequency or volume of the task and relevant working conditions.
- **Uses of the standard:** The objective is to determine how many workers should be employed, frame suitable incentive schemes and determine labour costs. Thus, time study gives management a scientific basis for planning labour requirements and assessing performance instead of relying on arbitrary estimates.

Step 3: Conclusion Differential piece wages reward workers at different rates according to attainment of a standard; time study establishes the standard time for a job to support manpower planning, incentives and labour-cost determination.

Quick Tip to Solve: Link differential piece wages with two rates and a performance standard; link time study with standard time and its three managerial uses.

26(a). State any four characteristics of management. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: management is the process of getting work done effectively and efficiently through people to achieve organisational goals.
- Characteristics describe the nature of management. Any four distinct characteristics may be stated; each should explain a different aspect of managerial activity.

Step 1: State the first two characteristics

- **Management is a goal-oriented process:** Every organisation has a set of basic goals that provides the reason for its existence. Management unites the efforts of different individuals and directs them towards achieving these predetermined organisational goals.
- **Management is all pervasive:** Management is necessary in all types of organisations, whether economic, social or political. It is required at all levels and in every department. The activities and methods used may differ, but the need to coordinate efforts exists in each organisation.

Step 2: State two more characteristics

- **Management is a continuous process:** It consists of a series of ongoing and interrelated functions: planning, organising, staffing, directing and controlling. Managers perform these functions continually as situations change; management does not end with the completion of a single task.
- **Management is a group activity:** An organisation consists of people with different needs and individual purposes. Management enables these diverse individuals to work together as a team, directing their efforts towards a common organisational goal while helping them meet their own needs.

Step 3: Conclusion Thus, management is a goal-oriented process, all pervasive, continuous and a group activity.

Quick Tip to Solve: For this question, name four characteristics and explain each separately; do not substitute the five functions of management for its characteristics.

OR

26(b). State any four functions performed by top level managers. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: top management consists of the senior-most executives who are responsible for the organisation as a whole.
- Top-level managers concentrate on the organisation's overall direction, its interaction with the external environment and the integration of the work of its different departments.

Step 1: State functions relating to direction and the environment

- **Formulating overall organisational goals and strategies:** Top-level managers decide the broad

objectives of the organisation and formulate strategies for achieving them. These provide a common direction for the entire enterprise and guide the decisions taken at the lower levels of management.
- **Analysing the business environment and its implications:** They examine changes in the external business environment, such as economic conditions, government policies, technology and competition. They consider what these developments mean for the organisation so that suitable organisational decisions can be taken.

Step 2: State functions relating to integration and overall responsibility
- **Integrating diverse elements and coordinating departments:** Top managers harmonise the work of different departments and coordinate their activities. They ensure that departmental efforts support common organisational objectives, rather than allowing departments to pursue conflicting directions.
- **Ensuring the welfare and survival of the organisation:** They take responsibility for the organisation's overall welfare and continued existence. They make major decisions affecting the enterprise as a whole and take account of their impact on its long-term survival and success.

Step 3: Conclusion Four functions of top-level managers are formulating overall goals and strategies, analysing the business environment, integrating and coordinating departmental work, and ensuring the organisation's welfare and survival.

Quick Tip to Solve: Link each top-management function to the whole organisation: overall goals, the external environment, departmental coordination, and welfare and survival.

27. 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 of identifying and dividing work, grouping similar activities, assigning duties and establishing reporting relationships so that organisational objectives can be achieved.
- The NCERT sequence is identification and division of work, departmentalisation, assignment of duties, and establishment of reporting relationships.

Step 1: (i) Identify the step already performed **Identification and division of work:** The core team identified the activities needed for the farewell party and divided the total work into manageable tasks. The decisive words are "identified various activities" and "divided the work into manageable

activities so that duplication is avoided and burden of work is shared." This division makes the work easier to perform and prevents overlapping efforts. The identification of refreshments, music, tentage and other requirements therefore represents the first step of organising.

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

- **Departmentalisation:** Group similar or related activities together into departments or teams. 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 facilitates coordination within each group of related tasks.
- **Assignment of duties:** Allocate the work of each team to individual students according to their abilities and skills. Clearly specify each student's duties and responsibility so that everyone knows what work he or she must perform. Suitable students can be placed in charge of the respective teams.
- **Establishment of reporting relationships:** Clearly specify who will report to whom, including the relationship between team members, team leaders and the core team. Define authority and responsibility so that students know from whom to take instructions and to whom they are accountable. This establishes a clear hierarchy and helps coordinate the entire event.

Step 3: Conclusion (i) The step performed is identification and division of work. (ii) The students must next undertake departmentalisation, assignment of duties and establishment of reporting relationships, in that order.

Quick Tip to Solve: "Divided the work" identifies step one; then remember: group the tasks, assign them to people, and clarify who reports to whom.

28. '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 in business finance. Debt bears fixed interest; equity shareholders receive residual earnings.
- Trading on equity: debt can improve equity shareholders' return when the return on investment exceeds the interest rate. Interest is deducted before tax.

Step 1: Determine operating profit and the financing amounts Each company earns 10% on capital employed of Rs 20,00,000. Therefore, earnings before interest and tax are Rs 2,00,000 for each company. Ratan Ltd. is financed entirely by equity, so its equity funds are Rs 20,00,000 and its interest expense is nil. Lara Ltd. has equity funds of Rs 12,00,000 (60% of Rs 20,00,000) and debt of Rs 8,00,000 (40% of Rs 20,00,000). Its annual interest expense at 8% is Rs 64,000.

Step 2: Calculate profit after interest and tax Deduct interest, then apply tax at 40% to profit before tax.

Particulars (Rs)	Ratan Ltd.	Lara Ltd.
Capital employed	20,00,000	20,00,000
Equity funds	20,00,000	12,00,000
Debt funds	Nil	8,00,000
Earnings before interest and tax	2,00,000	2,00,000
Less: Interest on debt	Nil	64,000
Profit before tax	2,00,000	1,36,000
Less: Tax at 40%	80,000	54,400
Profit after tax for equity shareholders	1,20,000	81,600

Step 3: Compare the return on shareholders' equity and explain the reason **Ratan Ltd.:** Dividing its profit after tax of Rs 1,20,000 by equity funds of Rs 20,00,000 and multiplying by 100 gives a return on equity of 6%.

Lara Ltd.: Dividing its profit after tax of Rs 81,600 by equity funds of Rs 12,00,000 and multiplying by 100 gives a return on equity of 6.8%. Its 12,000 shares of Rs 100 each earn Rs 6.80 per share.

Reason: The 10% return on investment exceeds the 8% interest rate. Lara Ltd. earns a surplus on borrowed funds over their interest cost, benefiting equity shareholders. This is trading on equity. Despite its lower total profit, Lara Ltd. provides a higher return per rupee of equity.

Step 4: Conclusion Lara Ltd. gives the better equity return: 6.8% against Ratan Ltd.'s 6%, due to favourable trading on equity.

Quick Tip to Solve: Compare profit after tax as a percentage of equity funds, not total profit: deduct interest before tax and use each company's own equity amount.

---

29. 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 allows consumers to voice dissatisfaction and have their interests considered at appropriate forums.
- The right to seek redressal provides relief against unfair trade practices, restrictive trade practices and unscrupulous exploitation of consumers.

Step 1: Identify and explain the right to be heard **Right to be heard:** A consumer has the right to file

a complaint and to be heard when dissatisfied with a good or service. Appropriate forums must give due consideration to the consumer's interests. This right enables the consumer to present a grievance instead of having to accept the supplier's decision without any opportunity to challenge it.

Rishabh exercised this right when he "wrote multiple letters to the insurance company" to challenge the rejection of his insurance claim. He voiced his dissatisfaction and placed his grievance before the insurer. His subsequent complaint before the District Commission also gave him an opportunity to have his case heard.

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 and unscrupulous exploitation. When a genuine complaint is upheld, the appropriate consumer commission can direct suitable relief, including compensation for the loss or injury suffered. Thus, this right makes a remedy available when the consumer's legitimate interests have been harmed.

Rishabh exercised it when he "filed a case with District Commission". The Commission accepted the genuineness of his complaint and "ordered the insurance company to pay a reasonable amount". His approach to the Commission sought a remedy for the rejected claim, and its compensation order represents the relief obtained.

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

Quick Tip to Solve: Link voicing a complaint to the right to be heard, and approaching a consumer commission for compensation to the right to seek redressal.

30. 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 principle of unity of command requires each employee to receive orders from only one superior and be responsible to that superior.
- Fayol's principle of equity requires fairness, kindness and justice in managers' treatment of employees, without discrimination on grounds such as sex, religion or nationality.

Step 1: Identify and explain the principle violated in observation (i) **Unity of command:** Each employee should receive orders from only one boss and be accountable to that boss. Instructions

from more than one superior can conflict, create confusion about priorities, undermine authority and make it difficult to fix responsibility. A clear reporting relationship helps employees understand whose directions they must follow.

This principle is violated because workers were "receiving instructions from both, the Production Manager and the Marketing Manager". The case specifically states that this caused "a lot of confusion regarding tasks to be done". Hitesh's company should ensure that each production worker receives instructions through one designated superior; departments can coordinate through the appropriate managers.

Step 2: Identify and explain the principle violated in observation (ii) **Equity:** Managers should treat employees with fairness, kindness and justice. They should provide equal opportunities for development and advancement, without discrimination based on sex, caste, religion, nationality or similar considerations. Fair treatment encourages employees' loyalty and devotion to the organisation. Equity does not mean overlooking performance or discipline; decisions should be fair and based on relevant work-related criteria.

This principle is violated because "Promotions were given only to women employees", while other employees "did not get equal opportunities in the company to rise". Restricting promotions by sex denies fair opportunities to other deserving employees. The company should use objective criteria such as merit and suitability and give eligible employees fair opportunities for advancement.

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

Quick Tip to Solve: Two bosses giving orders signals a violation of unity of command; promotion discrimination signals a violation of equity.

31. '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 the applicants for a job. It includes a series of checks before an employment offer is made.
- The NCERT selection sequence is preliminary screening, selection tests, employment interview, reference and background checks, selection decision, medical examination, job offer and contract of employment.

Step 1: Locate the missing stages in the selection sequence The case already describes preliminary screening through removal of applications that did not meet basic qualifications and short introductory interactions. The words 'measure their intelligence, personality traits, etc.' identify selection tests. The 'formal in-depth conversation' identifies the employment interview. Finally, the appointment letter mentioning the joining date identifies the job offer. The three intervening steps, after the interview and before the offer, are therefore the following.

Step 2: Reference and background checks **Reference and background checks:** The employer seeks additional information about a candidate from references supplied by that candidate. Previous employers, known persons, teachers or university professors may act as referees. Such checks help verify the information given in the application and obtain information about the candidate's experience, capabilities, character and conduct. In the selection sequence for Yummi Foods, this check would follow the employment interview and help establish whether the applicant's background supports suitability for the Marketing Manager's role.

Step 3: Selection decision **Selection decision:** The final decision to select a candidate is made from among those who have passed the tests, interviews and reference checks. The manager responsible for the performance of the new employee should express a view on this decision. Thus, the relevant manager and those handling selection assess the available information and decide which candidate is best suited to the job before the offer is issued. This decision is distinct from the job offer: it determines whom to appoint, whereas the offer communicates the appointment to the chosen person.

Step 4: Medical examination **Medical examination:** After the selection decision and before the job offer, the selected candidate is required to undergo a medical fitness test. A job offer is made only when the candidate is declared medically fit for the position. This establishes that the person has the physical fitness required to perform the duties of the job. For Yummi Foods, this is the final missing check before issuing the appointment letter; the case does not provide any medical result, so no particular result needs to be assumed.

Step 5: Conclusion The three omitted steps are **reference and background checks, selection decision, and medical examination**, in that order.

Quick Tip to Solve: Anchor the sequence at the employment interview and the job offer; the three stages between them are reference checks, selection decision and medical examination.

32(a). Explain any four non-financial incentives. [6 marks]

Solution:

Concept:

- Directing: Motivation encourages people to act towards organisational goals. Non-financial incentives satisfy psychological, social and emotional needs rather than providing a direct monetary reward.
- Such incentives address needs for status, recognition, belongingness, growth and meaningful work. Their effectiveness depends on the needs of the employee and the situation.

Step 1: Status

- **Status:** Status refers to the ranking of positions in an organisation. The authority, responsibility, rewards, recognition and prestige attached to a job indicate the status of the person holding it. A position with higher status can satisfy an employee's psychological and social needs, such as esteem and recognition. Suitable designations, greater responsibility and the respect associated with the position can therefore encourage an employee to contribute more effectively. The motivating element here is the standing and recognition attached to the job.

Step 2: Organisational climate

- **Organisational climate:** This refers to the characteristics that describe an organisation and distinguish it from others. These characteristics influence employees' behaviour. Individual autonomy, a suitable reward orientation, consideration for employees, openness and support contribute to a favourable climate. When managers provide a supportive environment and allow appropriate freedom in doing work, employees can take initiative and feel valued. Such a climate can motivate them to improve their performance and cooperate in achieving organisational objectives.

Step 3: Career advancement opportunity

- **Career advancement opportunity:** Employees generally wish to grow to higher positions in an organisation. Managers should provide opportunities to improve skills and be promoted to higher-level jobs. Appropriate skill-development programmes and sound promotion policies help employees prepare for future responsibilities. The prospect of advancement satisfies growth needs and encourages employees to improve their competence and work performance. Employees are more likely to make sustained efforts when they can see a credible path for progress within the organisation.

Step 4: Job enrichment

- **Job enrichment:** This involves designing jobs with a greater variety of work content, requiring a higher level of knowledge and skill, giving workers greater autonomy and responsibility, and providing opportunities for personal growth and meaningful work experience. Making the work itself more challenging and rewarding can motivate an employee. For example, allowing an employee to plan work and take responsibility for its completion increases the meaningfulness of the job. The incentive arises from the nature of the work and the satisfaction of doing it well.

Step 5: Conclusion Four non-financial incentives are **status, organisational climate, career advancement opportunity and job enrichment**. They motivate by satisfying esteem, social and growth

needs through the work environment and the job itself.

Quick Tip to Solve: For each non-financial incentive, name the textbook term, explain how it works, and link it to the employee need that it satisfies.

OR

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

Solution:

Concept:

- Directing: communication is the process of exchanging information so that the sender and receiver reach a common understanding.
- Semantic barriers arise from problems in the meaning and interpretation of words, signs and symbols used to encode and decode a message. Even when a message reaches its destination, its intended meaning may not be understood.

Step 1: Explain problems in expressing and interpreting words

- **Badly expressed message:** A manager may fail to express the intended meaning clearly. Inadequate vocabulary, the use of wrong words, omission of necessary words, and poorly organised sentences can make the message vague. The receiver then has to guess what is meant and may act differently from what the sender intended. For example, an instruction to complete a task "soon" gives no clear deadline and can be interpreted differently by different employees.
- **Symbols with different meanings:** A word or symbol may have more than one meaning. If the receiver attaches a meaning different from the one intended by the sender, communication is distorted. For example, the word "value" may refer to monetary worth or to a person's beliefs. Unless its meaning is clear from the context, the sender and receiver may understand the same word differently.

Step 2: Explain problems in translation and unstated meaning

- **Faulty translations:** Communication may have to be translated into another language for employees to understand it. If the translator is not proficient in both languages, the translation may change the meaning of the original message. A literal translation may also miss the intended sense of a phrase. Consequently, employees may receive an instruction that differs from the one management actually issued.
- **Unclarified assumptions:** Some messages are based on assumptions that the sender takes for granted but does not state. The receiver may not share those assumptions and may therefore interpret the message differently. For example, an instruction to look after an important guest may mean arranging transport to one employee but arranging accommodation to another. The unstated expectations prevent a common understanding of what action is required.

Step 3: Conclusion Any four semantic barriers are badly expressed messages, symbols with different meanings, faulty translations and unclarified assumptions. Each obstructs communication by creating a gap between the sender's intended meaning and the receiver's interpretation.

Quick Tip to Solve: Link each semantic barrier to a specific source of confusion: wording, multiple meanings, translation or unstated assumptions. Explain how it changes the receiver's understanding.

33. '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 set of marketing tools a firm uses to pursue its marketing objectives in a target market. Its four elements are product, price, place and promotion.
- The elements highlighted in this case are product, promotion and place. Each is identified from a particular activity of Novel Stores and explained in terms of the decisions it involves.

Step 1: Identify and explain the product element

- **Product:** The case refers to "high-quality products, including a wide variety of bakery, dairy products and ready-to-cook meal kits" and says that the store "takes feedback from the customers and stocks items accordingly." These lines highlight the product element of the marketing mix.
- **Explanation:** Product means the goods, services or anything of value offered to the market for exchange to satisfy customer needs. Product decisions include selecting the range and quality of products, their features, branding, packaging, labelling and support services. Novel Stores offers a varied, good-quality assortment and uses customer feedback to match its stock to customer needs. This makes its offering useful and attractive to its target customers.

Step 2: Identify and explain the promotion element

- **Promotion:** The words "buy one get one free" and "weekly discounts" describe sales promotion measures, while "advertised on its website" identifies advertising. These activities together highlight promotion.
- **Explanation:** Promotion includes activities that communicate the merits of a product and persuade target customers to purchase it. Its main tools are advertising, personal selling, sales promotion and public relations. Sales promotion offers short-term incentives to encourage purchases; advertising informs and persuades customers through an identified sponsor's paid, non-personal communication. The store uses promotional schemes and website advertising to attract customers and encourage buying. The weekly discounts appear here as a sales promotion incentive; the case does not describe a separate pricing policy.

Step 3: Identify and explain the place element

- **Place or physical distribution:** The store makes goods available "at the right place, in the right quantity and at the right time." Customers may order online and have goods "delivered at their home" or "pick them up from the store at a selected time." These lines highlight place.
- **Explanation:** Place involves making products available to target customers conveniently. Decisions include choosing channels of distribution and organising physical distribution through order processing, transportation, warehousing and inventory control. Home delivery and scheduled store collection provide convenient ways for customers to obtain the goods. Availability in the required quantities at the required time helps turn customer demand into actual sales.

Step 4: Conclusion The marketing mix elements highlighted are product through the quality and assortment of goods, promotion through sales promotion schemes and website advertising, and place through timely availability, home delivery and store collection.

Quick Tip to Solve: Match each case quotation to an activity: assortment and quality mean product, advertised offers mean promotion, and delivery or collection arrangements mean place.

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

(i) Planning is a mental exercise

(ii) Planning involves decision making

(iii) Planning is futuristic [6 marks]

Solution:

Concept:

- Planning: the function of setting objectives for a given period and deciding in advance the courses of action needed to achieve them.
- Features of planning: it requires intellectual effort, selection among alternatives and anticipation of future conditions.

Step 1: (i) Planning is a mental exercise

- **Intellectual activity:** Planning requires thinking rather than guesswork or wishful thinking. Managers must examine the present situation, understand the objectives and work out how the desired results can be achieved.
- **Logical and systematic reasoning:** It involves foresight, intelligent imagination and sound judgement. Decisions are based on analysis of facts and information, consideration of likely conditions and evaluation of possible courses of action. Although planning concerns action, it is first an exercise of the mind that gives action a rational direction.

Step 2: (ii) Planning involves decision making

- **Choice among alternatives:** Planning involves selecting from alternative objectives and alternative courses of action. A manager must identify the available ways of achieving an objective and compare their likely results, costs and feasibility.
- **Selection of the best course:** After evaluating the alternatives, the manager chooses the most suitable course for the organisation. If there were only one possible course of action, there would

be no need for planning because there would be no choice. Thus decision making is an essential part of planning.

Step 3: (iii) Planning is futuristic

- **Looking ahead:** Planning is concerned with events and activities that will occur in the future. Its purpose is to meet future requirements effectively and achieve objectives within a specified period.
- **Forecasting future conditions:** Managers anticipate opportunities and threats by forecasting such conditions as demand, competition and technology. These forecasts form the basis for deciding what should be done and how. Planning therefore guides present action in the light of expected future conditions; it does not make the future completely certain.

Step 4: Conclusion Planning is a mental exercise because it uses reason and judgement, involves decision making because it selects among alternatives, and is futuristic because it prepares the organisation for expected future conditions.

Quick Tip to Solve: Remember the three links: mental exercise means logical thinking; decision making means choosing alternatives; futuristic means looking ahead through forecasting.

OR

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

(i) Clarity in working relationships

(ii) Optimum utilisation of resources

(iii) Adaptation to change [6 marks]

Solution:

Concept:

- Organising: the management function of identifying and dividing work, grouping related activities, assigning duties and establishing authority and reporting relationships.
- Importance of organising: a clear structure coordinates individual effort, uses resources effectively and enables an enterprise to respond to change.

Step 1: (i) Clarity in working relationships

- **Defined authority and responsibility:** Organising specifies the duties of each person, the authority attached to the position and the person to whom the employee is accountable. Each employee therefore understands the work expected and the limits within which decisions can be taken.
- **Clear communication and coordination:** Establishing working relationships clarifies who reports to whom and who gives instructions. It removes ambiguity in the transfer of information and instructions, creates a managerial hierarchy and helps fix responsibility. Individuals can coordinate their work without confusion about their respective roles.

Step 2: (ii) Optimum utilisation of resources

- **Proper assignment of work:** Organising leads to the productive use of human, material and financial resources. Jobs are assigned to employees according to their knowledge, skills and

competence, helping each person contribute effectively.

- **Avoidance of waste and duplication:** Clear allocation of duties avoids overlapping work and unnecessary duplication of effort. Proper assignment and coordination of activities prevent confusion and wastage, while making the best possible use of available resources. Resources are directed towards organisational objectives instead of being spent on repeated or unassigned tasks.

Step 3: (iii) Adaptation to change

- **Ability to adjust the structure:** Organising creates a structure that can be modified when conditions change. Duties, positions and working relationships can be revised to accommodate changes in technology, markets or the scale of operations.
- **Smooth transition and stability:** A suitably flexible organisation enables the enterprise to respond effectively to environmental changes. It permits the modification of relationships among positions and activities while maintaining coordinated effort. This provides stability and helps the enterprise continue its operations and growth despite change.

Step 4: Conclusion Organising clarifies authority and reporting relationships, secures productive use of resources through appropriate work allocation, and provides a structure that can adjust to changes in the business environment.

Quick Tip to Solve: Link each heading to its result: clarity removes role confusion, resource allocation avoids duplication, and a flexible structure supports adaptation.