# CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/5/3

## Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

### General Instructions

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

**1. 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.
- Use the NCERT definition to identify the correct statement and distinguish it from the alternatives.

**Step 1:** Judge the Assertion The Assertion is correct. Social, political, legal and technological conditions are general forces. They affect the broad environment of all enterprises and therefore influence an individual firm indirectly.

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

**Step 3:** Check the explanatory link The Reason explains the Assertion: the economy-wide influence of general forces accounts for their indirect effect on a particular firm. Option (B) incorrectly denies this link; (C) incorrectly treats both statements as false; (D) wrongly rejects the Reason.

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

**Quick Tip to Solve:** For general forces, look for an influence shared by businesses; specific forces act directly on the firm.

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

(A) Obtaining market share leadership

(B) Surviving in a competitive market

(C) Attaining product quality leadership

(D) Profit maximisation in the long run

**Correct Answer:** (C) Attaining product quality leadership

**Solution:**

**Concept:**

- Marketing Management: pricing objectives as a factor affecting price determination.
- Use the NCERT definition to identify the correct statement and distinguish it from the alternatives.

**Step 1:** Identify the pricing objective Product quality leadership requires high-quality materials and production, and expenditure on research and development. A firm normally charges a higher price to cover these costs and support its superior-quality positioning.

**Step 2:** Eliminate the other objectives Market share leadership generally calls for lower prices to attract a larger number of buyers, so (A) fails. Survival in a competitive market can require price reductions, so (B) fails. Long-run profit maximisation may also favour a lower price and greater sales; it does not specifically imply a higher price, so (D) fails.

**Step 3:** Conclusion Attaining product quality leadership results in a higher price being fixed for the product. Hence, the correct option is (C).

**Quick Tip to Solve:** Link a premium price to superior quality and the research and development expenditure needed to sustain it.

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

**The source of recruitment that has been used by the software company is :** [1 mark]

(A) Direct Recruitment

(B) Recommendation of employees

(C) Transfer

(D) Promotion

**Correct Answer:** (B) Recommendation of employees

**Solution:**

**Concept:**

- Staffing: external recruitment through recommendations of employees.

- Use the NCERT definition to identify the correct statement and distinguish it from the alternatives.

**Step 1:** Identify the source from the case The decisive words are 'asking the present employees to introduce any friend or relative' possessing the required skills. The existing employees recommend suitable people from outside the organisation. This is recruitment through recommendations of employees.

**Step 2:** Distinguish the other sources Direct recruitment involves a notice inviting applicants to appear for jobs, usually at the factory gate; merely displaying this notice for employee referrals does not make (A) correct. Transfer shifts an existing employee between jobs without a substantial change in status, while promotion raises an existing employee to a higher position. Neither (C) nor (D) brings in the fresh graduates described here.

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

**Quick Tip to Solve:** Identify who supplies the candidates: friends and relatives introduced by existing employees indicate employee recommendations.

**4. Read the following statements carefully :**

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

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

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

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

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

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

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

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

**Solution:**

**Concept:**

- Nature and Significance of Management: restricted entry as a feature of a profession.
- Use the NCERT definition to identify the correct statement and distinguish it from the alternatives.

**Step 1:** Evaluate Statement I Statement I is false. Entry into an established profession is restricted through an examination or acquisition of the prescribed educational qualification. A profession requires specialised knowledge, and entry is not generally open irrespective of qualifications.

**Step 2:** Evaluate Statement II and choose the combination Statement II is true in the NCERT discussion of management as a profession. No particular professional qualification is compulsorily required for appointment as a manager, although management education is desirable. Option (A) reverses both judgements; (C) wrongly accepts Statement I; and (D) wrongly rejects Statement II.

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

**Quick Tip to Solve:** Separate the restricted entry of an established profession from the absence of a compulsory qualification for managers.

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

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

(A) Bonus

(B) Retirement benefits

(C) Perquisites

(D) Profit sharing

**Correct Answer:** (C) Perquisites

**Solution:**

**Concept:**

- Directing: perquisites as financial incentives.
- Use the NCERT definition to identify the correct statement and distinguish it from the alternatives.

**Step 1:** Match the benefits to the incentive The case lists 'car allowance, housing facilities, medical benefits' offered over and above salary. These additional benefits are perquisites. They form part of financial incentives and help increase employee satisfaction and retention.

**Step 2:** Reject the other incentives Bonus is an additional payment beyond wages or salary, rather than the package of facilities listed, so (A) fails. Retirement benefits, such as pension and provident fund, provide security after retirement, so (B) fails. Profit sharing gives employees a specified share of organisational profits; the case does not link these benefits to profits, so (D) fails.

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

**Quick Tip to Solve:** Benefits such as housing, car allowance and medical facilities over and above salary point directly to perquisites.

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

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

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

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

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

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

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

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

**Solution:**

**Concept:**

- Planning: policy, programme, method and strategy as types of plans.
- Use the NCERT definition to identify the correct statement and distinguish it from the alternatives.

**Step 1:** Match the four definitions A policy guides thinking and channels energies in a particular direction, so a matches (iv). A programme details a project, including objectives, policies, procedures, resources and budget, so b matches (ii). A method prescribes the way a task is performed, so c matches (i). A strategy is a comprehensive plan that considers the business environment, so d matches (iii).

**Step 2:** Check the alternatives Only (B) preserves all four matches. Option (A) interchanges policy and programme. Option (C) interchanges method and strategy. Option (D) assigns the prescribed manner of doing a task to programme and the detailed project statement to method, so both those matches are wrong.

**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:** Match method with the way of doing a task, programme with a detailed project, and strategy with the business environment.

**7. 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: depository services and the purpose of a Demat account.
- Use the NCERT definition to identify the correct statement and distinguish it from the alternatives.

**Step 1:** Identify the purpose of the account A Demat account holds securities in electronic, or dematerialised, form. It is opened with a Depository Participant, who acts as an intermediary between the investor and the depository. Securities purchased can be credited to it and securities sold can be transferred from it.

**Step 2:** Distinguish securities from trading and payments Option (B) concerns the investor's arrangement with a broker, rather than the purpose of the Demat account. Option (C) concerns payment for purchases, which uses a bank account. Option (D) also concerns cash transactions; a Demat account records and transfers securities, rather than functioning as a cash account. Thus only (A) states its purpose correctly.

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

**Quick Tip to Solve:** Remember the division: a Demat account holds securities, a trading account places trades, and a bank account handles money.

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

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

(A) Technological and legal environments

(B) Political and technological environments

(C) Legal and social environments

(D) Political and legal environments

**Correct Answer:** (D) Political and legal environments

**Solution:**

**Concept:**

- Business Environment: Dimensions of the business environment.
- Use the NCERT definition and the precise evidence in the question to distinguish the alternatives.

**Step 1:** Identify the legal dimension The government has 'ordered new safety standards for batteries'. These mandatory standards create legal requirements with which the company must comply. The fact that batteries are technical products does not make the requirement a technological change.

**Step 2:** Identify the other dimension and test the choices The government 'announced a reduction in import duties', reflecting its policy towards business and hence the political environment in the given alternatives. Option (D) includes both political and legal environments. Options (A) and (B) incorrectly introduce technological change; option (C) introduces a social change, although no change in customs, values or consumer attitudes is stated.

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

**Quick Tip to Solve:** Separate a mandatory safety rule from the government policy decision on import duties.

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**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: Factors affecting dividend decision: stock market reaction.
- Use the NCERT definition and the precise evidence in the question to distinguish the alternatives.

**Step 1:** Use the evidence from share prices The CFO asks the Board to 'evaluate the impact of dividend on the share price of previous years'. Higher dividends raised the share price, while even a small dividend reduction caused a dip. The focus is investors' response in the stock market to a dividend announcement.

**Step 2:** Eliminate the other factors Stock market reaction therefore matches option (B). Access to capital market concerns the ability to raise funds, not past share-price movements. Shareholders preference concerns shareholders' desire for current income or retained earnings; that preference is not what the CFO explicitly asks to evaluate. Cash flow position concerns cash available to pay

dividends, which the case does not analyse.

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

**Quick Tip to Solve:** When a dividend case tracks rises and falls in share prices, identify stock market reaction.

**10. 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: Functions of a stock exchange: safety of transactions.
- Use the NCERT definition and the precise evidence in the question to distinguish the alternatives.

**Step 1:** Assess Assertion (A) Assertion (A) is correct. A stock exchange provides safety of transactions through an organised and regulated market. A 'safe and fair deal' refers to regulated dealings; it does not mean that investors are guaranteed profits or protected from every fall in market prices.

**Step 2:** Assess Reason (R) Reason (R) is correct. Membership of a stock exchange is well regulated, and dealings follow well-defined rules within the existing legal framework. This framework governs how members conduct transactions.

**Step 3:** Check the explanatory link and alternatives Regulated membership and legally defined dealings help ensure fairness and protect the investing public, so the reason explains the assertion. Option (B) wrongly denies that link. Option (C) wrongly calls both statements incorrect, and option (D) wrongly rejects the valid reason.

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

**Quick Tip to Solve:** For assertion-reason questions, check the causal link after checking each statement separately.

**11. Right of an individual to command his subordinates and to take action within the scope of his position is known as _____.** [1 mark]

(A) Authority

(B) Responsibility

(C) Accountability

(D) Delegation

**Correct Answer:** (A) Authority

**Solution:**

**Concept:**

- Organising: Elements of delegation: authority.
- Use the NCERT definition and the precise evidence in the question to distinguish the alternatives.

**Step 1:** Identify the defining words The phrases 'right of an individual to command his subordinates' and 'take action within the scope of his position' define authority. It is the right attached to a managerial position to give orders and make decisions within the assigned limits.

**Step 2:** Distinguish the remaining choices Responsibility is the obligation of a subordinate to perform an assigned task, rather than the right to command. Accountability means being answerable for the final outcome of the assigned work. Delegation is the transfer of authority from a superior to a subordinate and involves authority, responsibility and accountability; it is broader than the right defined here.

**Step 3:** Conclusion The right is authority. Hence, the correct option is (A).

**Quick Tip to Solve:** Link the word right to authority, obligation to responsibility, and answerability to accountability.

**12. 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.
- Use the NCERT definition and the precise evidence in the question to distinguish the alternatives.

**Step 1:** Explain the effect of competition A high level of competition can require a business to hold larger stocks to meet customer demand promptly and to offer more liberal credit terms to retain customers. More funds are then tied up in inventory and debtors, increasing its working capital requirement.

**Step 2:** Compare all alternatives Option (C) therefore raises working capital needs. Trading organisations generally need less working capital than manufacturing organisations because there is no conversion of raw materials into finished goods. A short processing cycle releases funds sooner and lowers the requirement. A strict credit policy towards debtors reduces credit sales and funds blocked in receivables, so it also lowers the requirement.

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

**Quick Tip to Solve:** Look for the factor that increases inventory holdings or delays recovery of cash from customers.

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**13. 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: Leadership styles: democratic, autocratic and laissez-faire.
- Use the NCERT definition and the precise evidence in the question to distinguish the alternatives.

**Step 1:** Assess Statement I Statement I is false. A high degree of independence to formulate objectives and choose ways to achieve them characterises free-rein or laissez-faire leadership. Under democratic leadership, the leader develops action plans and takes decisions in consultation with subordinates rather than leaving them this degree of independence.

**Step 2:** Assess Statement II and eliminate choices Statement II is true. An autocratic leader gives orders and expects subordinates to follow them, so communication is primarily one-way from the leader to the followers. Accordingly, option (B) fits. Option (A) reverses both judgments, option (C) wrongly accepts Statement I, and option (D) wrongly rejects Statement II.

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

**Quick Tip to Solve:** Distinguish democratic consultation from the extensive independence of free-rein leadership.

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**14. "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: Nature of management principles: contingent.
- Use the NCERT definition and the precise evidence in the question to distinguish the alternatives.

**Step 1:** Identify the situation-based feature The words 'dependent upon the prevailing situation at a particular point of time' show that the application of a principle depends on the conditions in which a manager is working. This is the contingent nature of principles of management: their use is conditional on the situation.

**Step 2:** Distinguish the close alternatives Flexible means that managers can modify principles to suit their needs; the statement specifically stresses dependence on prevailing circumstances, making contingent the precise choice. General guidelines means principles guide action rather than provide ready-made solutions. Mainly behavioural means they primarily influence human behaviour. Neither of those features is described by the quoted statement.

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

**Quick Tip to Solve:** Use contingent when the statement explicitly makes application depend on the prevailing situation.

**15. '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: limitations of planning in a dynamic business environment.

**Step 1:** Identify the limitation The limitation is that planning may not work in a dynamic environment. The case says the change happened 'suddenly' and Renew Ltd. was 'not able to accurately assess future trends'. Government incentives attracted competitors, changing the conditions on which its target depended.

**Step 2:** Eliminate the other choices Option (B) concerns inflexibility in following plans, which the case does not describe. Option (C) concerns relying on past successful plans to guarantee future success; here the decisive clue is an unpredictable environmental change. Option (D) concerns expenditure on planning, and no such cost is mentioned.

**Step 3:** Conclusion Planning may not work in a dynamic environment. Hence, the correct option is (A).

**Quick Tip to Solve:** Link sudden changes in government policy and competition to the dynamic environment limitation.

**16. 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 and its assumptions about motivation.

**Step 1:** Identify the incorrect statement An unsatisfied need motivates a person. Once a need is satisfied, it generally ceases to be a motivating factor and the next higher need becomes active. Thus, the statement in option (C), that only a satisfied need can motivate a person, reverses the theory.

**Step 2:** Check the remaining statements Option (A) correctly states that behaviour is based on needs. Option (B) correctly places needs in a hierarchy, beginning with basic needs and moving towards higher needs. Option (D) correctly expresses the theory's assumption that satisfaction of a lower need leads a person towards the next higher level. These statements are therefore not the required incorrect statement.

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

**Quick Tip to Solve:** Underline the word incorrect and remember that an unsatisfied need, rather than a satisfied need, motivates.

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

(A) Cash flow position

(B) Return on investment

(C) Financing alternatives

(D) Stock market conditions

**Correct Answer:** (C) Financing alternatives

**Solution:**

**Concept:**

- Financial Management: factors affecting the debt-equity mix, or capital structure.

**Step 1:** Identify the excluded factor Financing alternatives is not a separately listed NCERT factor affecting capital structure. It is a factor relevant to the choice of a source for raising finance. Capital structure specifically concerns the proportion of debt and equity used by the company.

**Step 2:** Check the listed capital-structure factors Option (A), cash flow position, matters because debt requires regular interest payments and repayment. Option (B), return on investment, affects

the benefit of using debt and trading on equity. Option (D), stock market conditions, affects whether equity can be issued on favourable terms. All three are recognised factors affecting capital structure, so they cannot be selected as the exception.

**Step 3:** Conclusion Financing alternatives is the required exception. Hence, the correct option is (C).

**Quick Tip to Solve:** For a capital-structure exception, check the NCERT debt-equity factors rather than general financing choices.

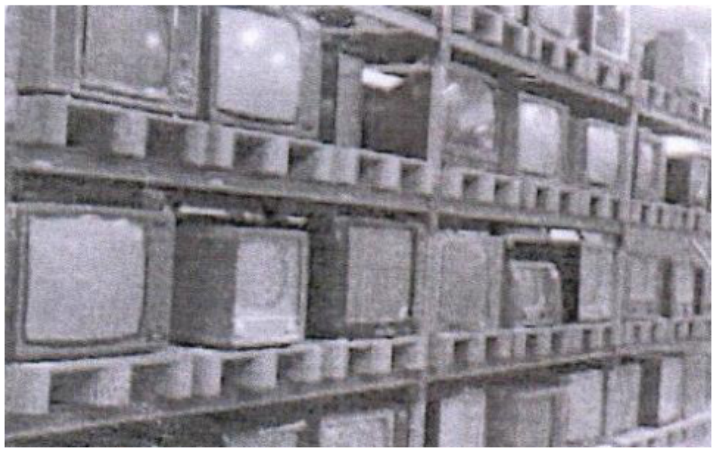
**18. Identify the shift in the marketing management philosophy from Picture I to Picture II.**

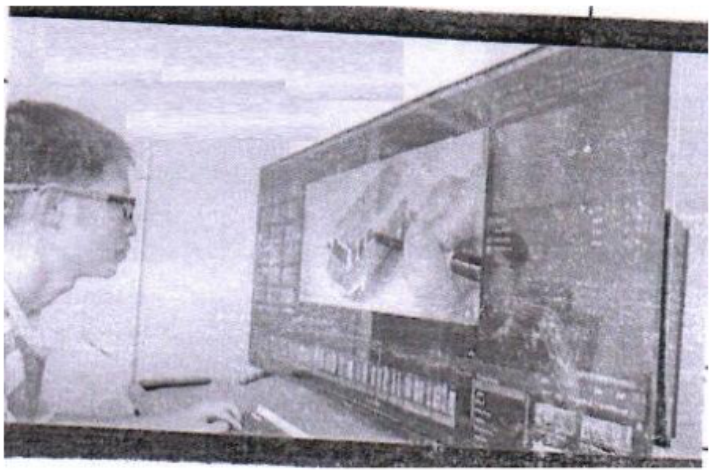
**Mass Production of Televisions**

**Picture I**

**Use of Television as a Computer Monitor**

**Picture II** [1 mark]





(A) From Production concept to Product concept

(B) From Production concept to Societal marketing concept

(C) From Societal marketing concept to Production concept

(D) From Product concept to Production concept

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

**Solution:**

**Concept:**

- Marketing Management: production concept and product concept.

**Step 1:** Interpret the two pictures Picture I is captioned 'Mass Production of Televisions'. It indicates the production concept, which emphasises large-scale production, availability and affordability through efficiency. Picture II shows 'Use of Television as a Computer Monitor'. The additional feature and improved utility indicate the product concept, which emphasises quality, performance and product improvements.

**Step 2:** Compare all the options Option (A) correctly gives production concept followed by product concept. Option (B) is incorrect because Picture II does not show social welfare or environmental responsibility, the distinguishing focus of societal marketing. Option (C) incorrectly identifies Picture I as societal marketing. Option (D) reverses the direction of the shift shown by the pictures.

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

**Quick Tip to Solve:** Read the captions: mass production signals production concept; improved features signal product concept.

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

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

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

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

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

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

**Solution:**

**Concept:**

- Organising: advantages of divisional organisational structure.

**Step 1:** Apply the divisional-structure benefit The benefit is flexibility and initiative because each division functions as an autonomous unit. The proposed 'separate divisions for commercial vehicles and passenger vehicles' would allow managers to take decisions for their own product division and respond to its particular requirements.

**Step 2:** Reject benefits of functional structure Option (B), minimal duplication and economies of scale, is associated with functional structure; divisional structure may duplicate resources across divisions. Option (C), easier training in a limited range of skills, is also a functional-structure benefit.

Option (D), occupational specialisation through emphasis on specific functions, describes functional structure rather than product-based divisions. Thus only (A) states the benefit of the proposed change.

**Step 3:** Conclusion The change will promote flexibility and initiative through autonomous divisions. Hence, the correct option is (A).

**Quick Tip to Solve:** Autonomy of product divisions signals flexibility and initiative; specialised functions signal functional structure.

**20. 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.

**Step 1:** Recognise the definition Performance appraisal means evaluating an employee's current or past performance against predetermined standards. It includes defining the job, appraising actual performance and providing feedback. The question directly describes this evaluation step.

**Step 2:** Distinguish the other staffing steps Option (A), placement and orientation, assigns a job and familiarises the employee with the organisation. Option (C), promotion and career planning, concerns advancement and career opportunities, although appraisal may help inform such decisions. Option (D), recruitment, searches for prospective employees and encourages them to apply. None of these is the act of evaluating performance against standards.

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

**Quick Tip to Solve:** Associate comparison of employee performance with predetermined standards directly with performance appraisal.

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

**Solution:**

**Concept:**

- Financial Management: Financial planning involves estimating the funds required and determining their sources so that funds are available when needed.
- Its importance includes preparing for uncertainty, coordinating activities and avoiding wasteful financing decisions.

**Step 1:** State the first point of importance **Helps in facing eventualities:** Financial planning forecasts what may happen in the future under different business situations. It helps a firm prepare for changes in demand, costs or the availability of finance and meet possible eventualities more effectively. The firm can therefore plan its financial response instead of arranging funds only after a difficulty arises.

**Step 2:** State the other two points

- **Helps in coordination:** Financial planning links the financial requirements of different business activities. For example, production and expansion plans must be supported by suitable arrangements for funds. It helps coordinate the efforts of departments towards the organisation's objectives.
- **Avoids wasteful and unnecessary efforts:** By providing a clear financial blueprint, financial planning reduces confusion about future financial action. Managers can follow the agreed course, avoid duplication and gaps in planning, and direct their efforts towards activities for which resources have been planned.

**Step 3:** Conclusion Three points of importance are that financial planning helps in facing eventualities, coordinates different business activities and avoids wasteful and unnecessary efforts.

**Quick Tip to Solve:** State three distinct benefits of financial planning; do not replace them with factors affecting fixed capital.

OR

**21(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, machinery and equipment.
- Fixed-capital requirements depend on the nature of business, the scale of operations and the production technique adopted.

**Step 1:** State the effect of the nature of business **Nature of business:** A manufacturing company generally requires substantial investment in plant and machinery to produce goods. A trading concern, which mainly purchases and sells finished goods, normally needs less investment in these fixed assets. Thus, the kind of activity the company undertakes affects its requirement of fixed capital.

**Step 2:** State the effects of scale and technique

- **Scale of operations:** A company operating on a large scale needs larger premises, more machinery and greater production capacity. Its investment in fixed assets, and hence its fixed-capital requirement, is generally higher than that of a company operating on a small scale.
- **Choice of technique:** A capital-intensive technique relies more heavily on machines and equipment and therefore requires more fixed capital. A labour-intensive technique uses relatively more labour and less machinery, so its fixed-capital requirement is generally lower.

**Step 3:** Conclusion Three factors determining fixed-capital requirements are the nature of business, the scale of operations and the choice between capital-intensive and labour-intensive techniques.

**Quick Tip to Solve:** For each factor, state which situation needs more fixed assets and which needs fewer.

**22. '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 controlling process involves setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.
- Once the target and actual output are known, comparison, analysis and corrective action help locate and resolve the shortfall.

**Step 1:** Compare actual performance with the standard **Comparing actual performance with standards:** The benchmark is established in the words "set a target to produce 30,000 units", while actual performance is given by "only 27,000 units were produced". The Production Manager must compare these figures and identify an adverse deviation of 3,000 mobile phones. Setting the standard and measuring actual performance have already been completed in the case.

**Step 2:** Analyse the deviation **Analysing deviations:** The direction to "find out" the problem calls for examining the significance and causes of the shortfall. The manager should investigate possible reasons, such as machine breakdowns, shortage of materials or inefficient methods, and establish the actual cause from records and enquiry. These are possible causes to investigate, not facts supplied by the case. Critical point control and management by exception help focus attention on significant deviations in key areas.

**Step 3:** Take corrective action **Taking corrective action:** The instruction to "resolve the problem" requires action appropriate to the cause established. For instance, if machinery failure caused the shortfall, repairs and preventive maintenance would be appropriate; if material shortages caused it, supply arrangements should be improved. The manager should implement the necessary correction so that future production meets the planned standard.

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

**Quick Tip to Solve:** Start from the stage the case has reached: the target and actual output are known, so compare, investigate and correct.

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

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

**Solution:**

**Concept:**

- Marketing Management: The marketing concept treats customer satisfaction as the means to achieve the firm's objectives through an integrated marketing effort.
- The societal marketing concept extends customer satisfaction to include the long-term well-being of consumers and society while achieving organisational objectives.

**Step 1:** Identify and explain the marketing concept **Marketing concept:** Premier Ltd. designs its clothing after "carefully understanding the needs of its present and prospective buyers and satisfying them in an effective manner". It also assumes that profit can be maximised when decisions are taken "from the point of view of customer satisfaction". Under this philosophy, a business first identifies the needs and wants of its target market and then develops products to satisfy them more effectively than competitors. Customer satisfaction, supported by coordinated marketing activities, is the route to earning profits; the starting point is customer needs rather than an already manufactured product.

**Step 2:** Identify and explain the societal marketing concept **Societal marketing concept:** The case states that the company shows "a deep concern for the long-term well-being of the society". This philosophy requires a business to satisfy customer needs in a way that also preserves or enhances the long-term interests of consumers and society. Premier Ltd. demonstrates it by using organic cotton and recycled polyester to reduce pollution, accepting old clothes for recycling to reduce waste, and setting aside profits for environmental education. Thus, it balances customer satisfaction, organisational profitability and social welfare rather than considering immediate customer satisfaction alone.

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

**Quick Tip to Solve:** Link decisions based on customer needs to marketing, and concern for society's long-term welfare to societal marketing.

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

**(i) Participants**

**(ii) Instruments**

**(iii) Duration** [3 marks]

**Solution:**

**Concept:**

- Financial Markets: The capital market provides medium- and long-term finance, while the money market deals in short-term funds with maturities up to one year.
- The two markets can be distinguished by who participates, the instruments traded and the period for which funds are raised.

**Step 1:** Compare participants and instruments The following comparison uses the three bases specified in the question. Institutional investors participate in both markets, but individuals also participate directly in the capital market. Money-market transactions are largely conducted by institutional participants and business entities needing or supplying short-term funds.

| Basis | Capital Market | Money Market |
|---|---|---|
| **Participants** | Financial institutions, banks, corporate entities, foreign investors and individual retail investors. | Reserve Bank of India, commercial banks, financial institutions and finance companies, mutual funds and corporate entities. |
| **Instruments** | Equity shares, preference shares, debentures and bonds. | Treasury bills, commercial paper, call money, certificates of deposit and commercial bills. |
| **Duration** | Medium- and long-term funds; securities generally have maturity exceeding one year. Equity shares have no fixed maturity. | Short-term funds; instruments have maturity up to one year. |

**Step 2:** Interpret the duration distinction Capital-market instruments finance needs extending beyond the short term, such as establishing or expanding a business. Money-market instruments finance temporary requirements, such as working-capital gaps. Thus, duration refers to the period of the financial claim, not how long an investor happens to hold it before selling it. The presence of banks or companies alone does not identify a market, because such participants can operate in both.

**Step 3:** Conclusion Capital and money markets differ in their range of participants, the securities traded and the maturity period of funds, as shown above.

**Quick Tip to Solve:** Use the one-year maturity boundary and list market-specific instruments; banks and companies can appear in both markets.

OR

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

**Solution:**

**Concept:**

- Financial Markets: SEBI's protective functions safeguard investors' interests and protect the integrity of dealings in the securities market.
- Prohibiting fraudulent practices, controlling insider trading and educating investors are protective measures that help investors make informed decisions in a fair market.

**Step 1:** State protection against unfair trading and insider trading

- **Prohibiting fraudulent and unfair trade practices:** SEBI prohibits practices such as misleading statements, price rigging and manipulation of securities prices. Such conduct can induce investors to buy or sell on a false understanding of market conditions. Preventing these practices protects investors from deception and supports fair dealings in securities.
- **Controlling insider trading:** SEBI prohibits trading by insiders on the basis of unpublished price-sensitive information. Company insiders may possess information about matters such as financial results before it is available to the public. Preventing them from using this privileged information for private gain protects ordinary investors who do not have access to it.

**Step 2:** State protection through investor education

- **Educating investors:** SEBI undertakes steps to educate investors so that they can better understand securities-market products, risks, their rights and the precautions needed while investing. Better-informed investors can evaluate information and recognise misleading claims instead of acting only on rumours or promises of unusually high returns. This function protects their interests by improving awareness and the quality of their investment decisions.

**Step 3:** Conclusion Any three protective functions are: prohibiting fraudulent and unfair trade practices, controlling insider trading, and undertaking investor education.

**Quick Tip to Solve:** For protective functions, recall fraud prevention, insider-trading control and investor education; state how each safeguards investors.

**25(a). Explain the following points of importance of coordination :**

**(i) Growth in size**

**(ii) Specialisation** [4 marks]

**Solution:**

**Concept:**

- Nature and Significance of Management: coordination integrates the efforts of different individuals and departments to achieve organisational objectives.
- Coordination becomes essential as an organisation grows in size and employs specialists whose activities must contribute to a common purpose.

**Step 1:** (i) Growth in size **Increasing number and diversity of employees:** As an organisation grows, the number of people employed by it also increases. These individuals differ in their backgrounds, needs, habits of work and personal goals. They may work to satisfy their own needs rather than automatically work towards the organisation's objectives.

**Unifying individual efforts:** Coordination harmonises individual goals with organisational goals and integrates employees' efforts. It ensures that people work together in the same direction instead of pursuing conflicting interests. For example, the coordinated efforts of employees in purchasing, production and sales help a growing enterprise fulfil customer orders. Thus, growth makes deliberate coordination increasingly necessary.

**Step 2:** (ii) Specialisation **Different specialist viewpoints:** Modern organisations employ specialists in different activities, such as finance, production and marketing. Specialists often believe that only they are qualified to evaluate, judge and decide matters according to their professional criteria. They may not readily accept advice or suggestions from others, resulting in disagreement or conflict.

**Reconciling specialist contributions:** Coordination reconciles differences in approach, interest and opinion among specialists. It integrates their expertise so that specialised activities support one another and serve the organisation's overall objectives. It enables a common approach without losing the benefit of specialised knowledge.

**Step 3:** Conclusion Growth in size requires coordination to unite diverse individual efforts; specialisation requires it to reconcile expert viewpoints and integrate specialised activities towards common organisational goals.

**Quick Tip to Solve:** For growth, link more employees to diverse goals; for specialisation, link expert viewpoints to the need to reconcile differences.

OR

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

**(i) Fatigue study**

**(ii) Motion study** [4 marks]

**Solution:**

**Concept:**

- Principles of Management: Taylor's scientific management replaces rule-of-thumb methods with systematic study to improve efficiency.
- Fatigue study determines suitable rest intervals, while motion study examines movements in performing a job to eliminate unnecessary effort.

**Step 1:** (i) Fatigue study **Meaning and purpose:** Fatigue study seeks to determine the amount and frequency of rest intervals required by workers while completing a task. A worker cannot work continuously without rest; physical and mental fatigue reduce efficiency and adversely affect performance.

**Scientific rest intervals:** The study identifies the causes of fatigue and provides suitable breaks so

that workers recover and resume work with renewed energy. Long working hours, unsuitable work, unfavourable working conditions and lack of cooperation can cause fatigue and must be examined. Properly planned rest intervals help workers perform efficiently and maintain output. The purpose is to sustain productive effort, rather than require uninterrupted work until the worker is exhausted.

**Step 2:** (ii) Motion study **Meaning and purpose:** Motion study examines movements such as lifting, putting objects down, sitting and changing positions while performing a typical job. It identifies movements that are productive, incidental or unproductive, with the aim of eliminating unnecessary movements.

**Improved working method:** Careful observation of the sequence of movements helps design the task so that it is completed with the minimum necessary movement, effort and time. Suitable placement of tools and materials can reduce needless reaching, bending or walking. By removing wasteful motions and retaining necessary ones, motion study improves efficiency and productivity and helps establish an effective method of doing the job.

**Step 3:** Conclusion Fatigue study plans the amount and frequency of rest needed to maintain efficiency. Motion study eliminates unnecessary movements to make the performance of a job more efficient.

**Quick Tip to Solve:** Remember the object of each study: fatigue concerns recovery through rest, while motion concerns removing needless bodily movements.

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

**Solution:**

**Concept:**

- Business Environment: demonetisation means withdrawal of the legal-tender status of currency notes by the government.
- NCERT identifies demonetisation as a tax-administration measure, a signal against tax evasion, a means of bringing savings into the formal financial system, and a means of promoting a less-cash economy.

**Step 1:** Features concerning tax administration

- **Tax-administration measure:** Demonetisation required holders of the withdrawn notes to deposit them in banks. Holders of cash accumulated out of declared income could deposit it, whereas those holding unaccounted cash had to disclose their income and pay taxes, along with the applicable penalty. This helped bring previously unaccounted money within the tax system.
- **Signal against tax evasion:** It communicated that tax evasion would no longer be tolerated or accepted. The possibility of scrutiny of large unexplained cash holdings was intended to discourage people from concealing income and to encourage compliance with tax laws.

**Step 2:** Features concerning savings and payments

- **Channelising savings into the formal financial system:** As people deposited cash in bank accounts, more household savings entered the organised banking system. This increased the amount of funds available for productive use through financial institutions rather than keeping savings outside the formal system as cash.

- **Creating a less-cash economy:** Demonetisation encouraged people to use electronic and digital payment methods in place of cash. Transactions through bank accounts and digital channels leave a trail, improve transparency and help move economic activity towards a more formal system.

**Step 3:** Conclusion The four features are its role as a tax-administration measure, its signal against tax evasion, the channelising of savings into the formal financial system, and the promotion of a less-cash economy.

**Quick Tip to Solve:** Recall the four NCERT headings in order: tax administration, tax-evasion signal, formal savings and less-cash payments.

OR

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

**Solution:**

**Concept:**

- Nature and Significance of Management: middle management links top management with supervisory or operational management.
- Middle-level managers are responsible for implementing the plans and strategies developed by top management and for directing the work of lower-level managers.

**Step 1:** Translate plans into departmental action

- **Interpret the policies framed by top management:** Middle-level managers explain the objectives, plans and policies decided by top management to lower-level managers. They translate broad organisational policies into departmental plans and practical instructions so that employees understand what has to be achieved and how their department contributes to it.
- **Ensure that the department has the necessary personnel:** They assess the workforce requirements of their department and ensure the availability of sufficient, suitable employees to carry out its activities. Having the right personnel enables the department to implement the plans assigned to it effectively.

**Step 2:** Direct and coordinate departmental performance

- **Assign necessary duties and responsibilities:** Middle managers distribute work among the people working under them. They specify the tasks and responsibilities of subordinate managers and employees so that work is organised, accountability is clear and the department can meet its targets.
- **Cooperate with other departments for smooth functioning:** They coordinate their department's activities with those of other departments. By exchanging information and harmonising interdependent work, they prevent departmental conflicts and help ensure that all departments contribute to the overall objectives of the organisation.

**Step 3:** Conclusion Any four functions are: interpreting top-management policies, ensuring necessary departmental personnel, assigning duties and responsibilities, and cooperating with other departments for the smooth functioning of the organisation.

**Quick Tip to Solve:** Anchor the answer at the departmental level: middle managers interpret policies, arrange people, assign work and coordinate departments.

**27. Rishabh purchased a car for ₹ 8,00,000. He insured the car on the same day from Alex Insurance Company. Rishabh's car was stolen in Kedwan while he was on vacation with his family. He promptly filed a First Information Report (FIR), informed the insurer and submitted all the required documents. To Rishabh's shock, the insurance company rejected his claim, alleging he had failed to take due care and had parked the car in an unsafe manner. Determined to challenge this, Rishabh wrote multiple letters to the insurance company, but the insurance company refused to pay the compensation. Rishabh filed a case with District Commission. The District Commission was satisfied with the genuineness of the complaint and ordered the insurance company to pay a reasonable amount. Identify and explain two consumer rights which have been exercised by Rishabh.** [4 marks]

**Solution:**

**Concept:**

- Consumer Protection: the right to be heard enables consumers to raise complaints and have their interests considered at appropriate forums.
- The right to seek redressal enables consumers to obtain relief against unfair trade practices or unscrupulous exploitation, including appropriate compensation for a genuine grievance.

**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. The consumer's interests must receive due consideration at the appropriate forum. Businesses should also provide arrangements for consumers to bring their grievances to their notice.
- **Evidence from the case:** Rishabh "wrote multiple letters to the insurance company" after his claim was rejected and then "filed a case with District Commission". By communicating his grievance and placing it before the Commission, he exercised his right to be heard. The company's refusal to accept his claim did not prevent him from presenting his complaint to the appropriate forum.

**Step 2:** Identify and explain the right to seek redressal

- **Right to seek redressal:** A consumer can seek relief against an unfair practice or exploitation. If the complaint is genuine, the consumer is entitled to appropriate relief, such as compensation for loss or injury suffered. The relief depends on the facts of the complaint.
- **Evidence from the case:** The District Commission "was satisfied with the genuineness of the complaint" and ordered the insurer "to pay a reasonable amount". Rishabh approached the Commission to obtain a remedy for the rejected insurance claim, and the compensation ordered illustrates the exercise of his right to seek redressal.

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

**Quick Tip to Solve:** Link presenting a complaint to the right to be heard, and seeking compensation or another remedy to the right to seek redressal.

**28. 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 unity of command requires each employee to receive orders from, and be accountable to, one superior only.
- Fayol's principle of equity requires kindness and justice in managers' dealings with workers and fair opportunities without discrimination.

**Step 1:** Observation (i): Unity of command

- **Principle violated: Unity of command.** Every individual employee should receive orders from only one superior and should be accountable to that superior. An employee should not simultaneously receive instructions from two superiors for the same work.
- **Evidence and explanation:** The workers were "receiving instructions from both, the Production Manager and the Marketing Manager". This creates dual subordination and violates unity of command. The resulting "confusion regarding tasks to be done" is a direct consequence: workers may receive conflicting directions and may not know whose instruction to follow. Following the principle prevents confusion, avoids overlapping orders and makes responsibility clear. Each worker should therefore have one immediate superior issuing instructions.

**Step 2:** Observation (ii): Equity

- **Principle violated: Equity.** Managers should treat employees with kindness and justice. Employees should receive fair treatment and equal opportunities for advancement, without discrimination on grounds such as sex, religion, caste, nationality or language. This encourages loyalty and devotion among employees.
- **Evidence and explanation:** "Promotions were given only to women employees", while other employees "did not get equal opportunities in the company to rise". Restricting promotion opportunities on the basis of sex is discriminatory and violates equity. Opportunities for promotion should be available fairly to employees, with decisions based on relevant considerations such as merit and performance. Fair treatment would help address dissatisfaction and support employees' commitment to the company.

**Step 3:** Conclusion Hitesh's company is violating **unity of command** in observation (i) and **equity** in observation (ii).

**Quick Tip to Solve:** Two bosses giving orders signal unity of command; unequal promotion opportunities based on sex signal equity.

**29. 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 cultoural 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 related activities, assigning duties and establishing reporting relationships.
- The four steps follow a sequence so that every necessary activity has an owner and authority relationships are clear.

**Step 1:** (i) Identify the step already performed **Identification and division of work:** The students first identified all the activities needed for the farewell party and divided the work into manageable activities. 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 is the first step in organising: the total work is identified and divided into smaller tasks that can be allocated effectively.

**Step 2:** (ii) State the next three steps

- **Departmentalisation:** Group similar or related activities together into departments or units. For this event, related tasks can be grouped into committees, such as refreshments, invitations and cultural programme committees. This enables coordination within each group.
- **Assignment of duties:** Allocate the work of each department or committee to suitable students according to their abilities and skills. Each student should receive clearly defined duties so that responsibility for every task is fixed and work is completed effectively.
- **Establishing authority and reporting relationships:** Specify who will report to whom and who has authority to give instructions. Define the relationships between committee members, their heads and the core team, so that instructions and communication are clear and the various activities are coordinated.

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

**Quick Tip to Solve:** Recall the organising sequence as divide, group, assign and establish who reports to whom; do not substitute staffing or directing for these steps.

**30. '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 and trading on equity; debt can increase the return on equity when the return on investment exceeds the rate of interest on debt.
- Compare earnings available to equity shareholders with the equity capital employed. Deduct interest before computing tax; interest is a fixed financial charge.

**Step 1:** Calculate operating profit and financing amounts Both companies employ Rs 20,00,000 and earn a return on investment of 10 percent. Therefore, each earns a profit before interest and tax of Rs 2,00,000. Ratan Ltd. finances the entire Rs 20,00,000 through equity and has no debt interest. Lara Ltd. uses Rs 12,00,000 of equity (60 percent of total capital) and Rs 8,00,000 of debt (40 percent). At 8 percent, Lara Ltd.'s annual interest is Rs 64,000. Its Rs 100 equity shares number 12,000.

**Step 2:** Calculate earnings available to equity shareholders

| Particulars | Ratan Ltd. (Rs) | Lara Ltd. (Rs) |
|---|---|---|
| Profit 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 percent | 80,000 | 54,400 |
| Profit after tax for equity shareholders | 1,20,000 | 81,600 |
| Equity capital | 20,00,000 | 12,00,000 |

Ratan Ltd.'s equity return is Rs 1,20,000 divided by Rs 20,00,000, expressed as a percentage: 6 percent. Lara Ltd.'s equity return is Rs 81,600 divided by Rs 12,00,000, expressed as a percentage: 6.8 percent. Lara Ltd.'s earnings per share are Rs 81,600 divided by 12,000 shares, or Rs 6.80. Thus, for every Rs 100 of equity capital, the earnings are Rs 6 for Ratan Ltd. and Rs 6.80 for Lara Ltd.

**Step 3:** Explain the effect of debt on shareholder return **Favourable financial leverage or trading on equity:** The return on investment of 10 percent exceeds the debt interest rate of 8 percent. Lara Ltd. earns more on the funds borrowed than the interest it pays on them. The surplus benefits equity shareholders, giving them a higher percentage return even though Lara Ltd.'s total profit after tax is lower. Therefore, total profit alone is not the appropriate basis of comparison; it must be related to the amount of equity capital employed.

**Step 4:** Conclusion Lara Ltd. gives the better return to equity shareholders: 6.8 percent compared with Ratan Ltd.'s 6 percent, because the return on investment exceeds the cost of debt.

**Quick Tip to Solve:** Compare profit after tax per rupee of equity capital, and deduct debt interest before tax; a larger total profit does not necessarily mean a better equity return.

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

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

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

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

**Solution:**

**Concept:**

- Marketing Management: Marketing mix is the combination of product, price, promotion and place decisions used by a firm to achieve its marketing objectives in a target market.
- The case highlights product, promotion and place. Identify each element from the store's actions and explain the decisions included in it.

**Step 1:** Identify and explain product **Product:** The case states that the store offers "high-quality products, including a wide variety of bakery, dairy products and ready-to-cook meal kits" and "regularly takes feedback from the customers and stocks items accordingly." Product means the goods or services, including their benefits, offered to satisfy customer needs. Product decisions include quality, features, variety, design, branding and packaging. Novel Stores chooses a high-quality assortment and adjusts what it stocks to customer feedback, thereby matching its offering to different customer needs. The references to goods being packaged and branded also concern product decisions.

**Step 2:** Identify and explain promotion **Promotion:** The store offers "buy one get one free" schemes and weekly discounts, "which are advertised on its website." Promotion includes activities that communicate the availability, features and merits of products and persuade customers to buy them. Its tools include advertising, personal selling, sales promotion and public relations. Here, the offers and discounts are sales-promotion incentives that encourage purchases, while advertising them on the website communicates those incentives to customers. Thus the case illustrates promotion through both sales promotion and advertising.

**Step 3:** Identify and explain place **Place or physical distribution:** The store ensures availability "at the right place, in the right quantity and at the right time." Customers may order online for home delivery or collect their orders from the store at a selected time. Place decisions make goods conveniently accessible to the target customers. They include selecting channels of distribution and managing physical distribution through order processing, transportation, warehousing and inventory control. Novel Stores uses its stores and delivery arrangements to fulfil online orders and provide timely access to goods. Its home-delivery and collection choices therefore illustrate this element.

**Step 4:** Conclusion The elements highlighted are **product, promotion and place (physical distribution)**: the customer-oriented assortment, the advertised promotional incentives, and the convenient

availability and delivery arrangements respectively.

**Quick Tip to Solve:** Link variety and quality to product, advertised offers to promotion, and delivery or collection arrangements to place; quote the case for each identification.

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

**Solution:**

**Concept:**

- Principles and Functions of Management: Controlling measures actual performance against predetermined standards, identifies deviations and initiates corrective action.
- Its importance lies in keeping organisational activities directed towards plans and improving the effectiveness of future action. The following are four points of importance.

**Step 1:** Explain achievement of goals and appraisal of standards

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings deviations to light. Managers compare actual performance with the standards established in plans, investigate significant differences and take corrective action. This keeps activities on the intended course and helps the organisation achieve its objectives. For example, if output falls below its planned level, management can identify the cause and correct it instead of allowing the shortfall to continue.
- **Judging accuracy of standards:** An effective control system enables management to judge whether the standards set are accurate and realistic. It carefully checks changes in the organisation and its environment and helps managers review and revise standards when necessary. For example, a standard based on outdated operating conditions may need revision when those conditions change. Thus controlling makes standards more useful as a basis for assessing performance.

**Step 2:** Explain resource use and employee motivation

- **Making efficient use of resources:** In controlling, each activity is performed in accordance with predetermined standards and norms. Monitoring performance and correcting deviations reduce wastage and spoilage and help ensure that human, physical and financial resources are used effectively. For example, comparing material consumption with the prescribed standard can reveal excessive wastage and prompt corrective measures, enabling the organisation to obtain better results from its available resources.
- **Improving employee motivation:** A good control system informs employees in advance about what they are expected to do and the standards against which their performance will be appraised. Clear expectations reduce uncertainty and give employees a definite direction for their efforts. When performance is evaluated against known standards, employees can understand the basis of appraisal and work towards improved performance. This clarity helps motivate them to give better performance.

**Step 3:** Conclusion Controlling is important because it helps accomplish organisational goals, judge the accuracy of standards, use resources efficiently and improve employee motivation.

**Quick Tip to Solve:** For each importance point, connect the heading to how comparison, feedback or corrective action produces that benefit; explain four distinct benefits.

OR

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

**Solution:**

**Concept:**

- Directing: personal barriers to communication arise from the attitudes, feelings and personal considerations of superiors and subordinates.
- Effective communication requires both a willingness to share information and confidence that the other person will understand and use it properly.

**Step 1:** Personal barriers involving superiors

- **Fear of challenge to authority:** A superior may fear that a particular communication will adversely affect the superior's authority. To preserve that authority, the superior may withhold or suppress information instead of passing it to subordinates. The resulting incomplete communication prevents employees from understanding matters that concern their work and restricts an open exchange of ideas.
- **Lack of confidence of the superior in subordinates:** If a superior does not trust the competence of subordinates, the superior may not seek their advice or opinions. Even when employees have useful suggestions, this lack of confidence discourages their participation. Consequently, potentially valuable information and ideas do not reach the decision-maker.

**Step 2:** Personal barriers involving subordinates

- **Unwillingness to communicate:** A subordinate may be unwilling to communicate with a superior when the information appears likely to harm the subordinate's personal interests. For example, an employee may conceal an error for fear of an adverse reaction. Relevant information is therefore withheld, and the superior cannot obtain a complete and accurate picture of the situation.
- **Lack of proper incentives:** When suggestions and useful information receive no recognition or reward, subordinates may lack the motivation to communicate. They may believe that sharing ideas will bring no benefit or appreciation. As a result, employees may stop offering suggestions even when these could improve the organisation's work.

**Step 3:** Conclusion The four personal barriers are fear of challenge to authority, lack of confidence of the superior in subordinates, unwillingness to communicate and lack of proper incentives. Each obstructs communication through personal attitudes or interests.

**Quick Tip to Solve:** Remember the four personal causes as authority, confidence, willingness and incentives; explain how each stops information from being shared.

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

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

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

**Identify and explain the steps.** [6 marks]

**Solution:**

**Concept:**

- Staffing: selection is the process of choosing the most suitable candidate from the applicants for a job.
- In the NCERT selection process, reference and background checks, selection decision and medical examination follow the employment interview and precede the job offer.

**Step 1:** Locate the missing stages in the case The removal of applications that did not meet the basic qualifications and the "short introductory interactions" describe preliminary screening. The test measuring "intelligence, personality traits, etc." describes selection tests. The "formal in-depth conversation" is the employment interview, while the appointment letter mentioning the joining date describes the job offer. Therefore, the question asks for the three intervening stages, rather than these stages already stated in the case.

**Step 2:** Reference and background checks **Reference and background checks:** After the employment interview, an employer obtains additional information about a candidate by contacting references. These may include previous employers, known persons, teachers or other persons named by the applicant. The purpose is to verify the information provided and obtain an assessment of the candidate's experience, abilities and character. For Yummi Foods, this stage would help check the candidate's background and claimed experience relevant to the Marketing Manager position. The case does not describe the actual references contacted.

**Step 3:** Selection decision **Selection decision:** The final decision is made from among candidates who have passed the preliminary screening, tests, interview and reference checks. The manager responsible for the new employee's performance should give the final approval. This stage determines which candidate is to be selected; it is distinct from sending that candidate an appointment letter. Yummi Foods therefore had to decide on the suitable Marketing Manager before making the job offer referred to in the case.

**Step 4:** Medical examination **Medical examination:** After the selection decision and before the job offer, the selected candidate undergoes a medical fitness test. The purpose is to establish that

the applicant is physically fit to perform the duties of the job. The job offer is made only after the candidate is declared fit following the medical examination. Thus, this is the remaining stage that Yummi Foods would complete before issuing the offer; no particular medical result or condition is supplied in the case.

**Step 5:** Conclusion The three steps not mentioned are reference and background checks, selection decision and medical examination, in that order.

**Quick Tip to Solve:** Place the stated interview and job offer in the selection sequence; the three stages between them give the required answer.

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

**(i) Setting objectives**

**(ii) Developing premises**

**(iii) Identifying alternative courses of action** [6 marks]

**Solution:**

**Concept:**

- Planning: the planning process begins by setting objectives, developing premises and identifying alternative courses of action.
- Objectives state the desired results; premises provide assumptions about the future; alternatives identify possible ways of attaining those results.

**Step 1:** (i) Setting objectives **Setting objectives:** The first step in planning is to specify what the organisation wants to achieve. Objectives are established for the entire organisation and then for its departments or units. They state the end results to be attained and give direction to the efforts of employees. Objectives should be clear and specific so that employees know what they have to do to contribute to organisational goals. Where possible, they should be measurable and time-bound. For example, an organisation may decide to increase sales by a specified proportion during the next year; departmental objectives are then framed to support this overall objective.

**Step 2:** (ii) Developing premises **Developing premises:** Planning concerns the future, which is uncertain. Managers therefore make assumptions about the conditions under which their plans will operate. These assumptions are called planning premises and form the base on which plans are drawn. They may concern demand, prices, costs, government policies, competition and other relevant internal or external conditions. Forecasts, existing plans, past experience and available information help in developing them. Managers involved in planning should understand and agree upon the same premises so that their plans are coordinated and consistent. Realistic premises make the resulting plans more reliable.

**Step 3:** (iii) Identifying alternative courses of action **Identifying alternative courses of action:** Once objectives and premises are established, managers identify the different possible ways of achieving the objectives. There may be several courses of action, including routine methods and innovative ones. Managers should consider all relevant alternatives rather than accept the first apparently suitable method. Creativity and the suggestions of employees can help discover new possibilities. For example,

increased sales may be pursued by improving the product, entering a new market or strengthening promotion. At this stage the alternatives are identified; their evaluation and the selection of the most suitable course take place in subsequent steps.

**Step 4:** Conclusion The three steps establish the desired results, the assumptions about future conditions and the possible courses through which the results may be achieved.

**Quick Tip to Solve:** Remember the sequence as ends, assumptions and possible means: objectives, premises and alternatives.

OR

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

**(i) Quick decision making**

**(ii) Develops initiative among subordinates**

**(iii) Relief to top management** [6 marks]

**Solution:**

**Concept:**

- Organising: decentralisation means the systematic delegation of authority throughout the organisation, including to lower levels.
- Its importance includes quick decision making, development of initiative among subordinates and relief to top management.

**Step 1:** (i) Quick decision making **Quick decision making:** In a decentralised organisation, decision-making authority is placed near the point where action is required. The chain through which a decision must be referred is shorter, and employees need not send every matter to higher management for approval. Lower-level managers are also close to local operations and have direct knowledge of the situation. They can therefore respond promptly to operating problems and changing conditions within their authority. This reduces delays in communication and enables timely action. The organisation becomes more responsive because routine decisions can be taken at the level where relevant information is available.

**Step 2:** (ii) Develops initiative among subordinates **Develops initiative among subordinates:** Decentralisation gives lower-level managers the freedom to make decisions and act independently within the authority assigned to them. They learn to depend on their own judgement instead of constantly seeking instructions from superiors. This encourages initiative, confidence and self-reliance. It also gives them an opportunity to use their abilities, accept responsibility for results and learn from their mistakes. As a result, employees become more willing to take the lead and tackle problems themselves. A sense of ownership and responsibility develops because their decisions have a direct influence on the work entrusted to them.

**Step 3:** (iii) Relief to top management **Relief to top management:** By authorising lower levels to decide routine operational matters, decentralisation reduces the need for top managers to supervise every activity or approve every decision. Subordinates share the burden of decision making and

handle matters within their areas of responsibility. Top management consequently has more time and attention for major policy decisions, long-term planning, strategy and coordination of the organisation as a whole. It can concentrate on exceptional issues that genuinely require its involvement. Although authority is dispersed, top managers continue to provide overall direction and exercise control over organisational performance.

**Step 4:** Conclusion Decentralisation improves the speed of decisions, encourages responsible initiative at lower levels and enables top management to concentrate on major organisational matters.

**Quick Tip to Solve:** Link each benefit to delegated authority: local decisions save time, freedom builds initiative and shared work relieves top managers.