CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/7/2 - Compartment

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.

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

1. Which of the following statements is incorrect with respect to 'strategy' as a type of plan ? [1 mark]

(A) Strategy provides the broad contours of an organization's business.

(B) Strategy refers to future decisions defining the organization's direction and scope in the long run.

(C) Strategy is the desired future position that the management would like to reach.

(D) Strategy is a comprehensive plan for accomplishing an organization's objectives.

Correct Answer: (C) Strategy is the desired future position that the management would like to reach.

Solution:

Concept:

- Planning: an objective specifies the desired future position to be reached by management.
- A strategy is a comprehensive plan that defines the broad direction and scope of the organisation and the means of achieving its objectives.

Step 1: Identify what the question asks The question asks for the incorrect statement about strategy. The description in option (C), "the desired future position that the management would like to reach, defines an objective. An objective states the end to be achieved; a strategy describes the broad approach to achieving organisational objectives.

Step 2: Check the remaining options Option (A) correctly states that strategy gives the broad contours of the business. Option (B) correctly links strategy to future decisions about direction and long-term scope. Option (D) correctly calls it a comprehensive plan for accomplishing objectives. Thus none of these three is the incorrect statement sought.

Step 3: Conclusion Option (C) is incorrect: it defines an objective, rather than a strategy.

Quick Tip to Solve: When asked about strategy, distinguish the desired destination (objective) from the broad plan for reaching it.

2. 'Taylor called for complete mental revolution on the part of both management and workers. It means that management and workers should transform their thinking.'

The principle of Scientific Management being referred to, in the above statement is : [1 mark]

(A) Science, not Rule of Thumb

(B) Harmony, not Discord

(C) Cooperation, not Individualism

(D) Development of each and every person to his or her Greatest Efficiency and Prosperity

Correct Answer: (B) Harmony, not Discord

Solution:

Concept:

- Principles of Management: Taylor's principle of Harmony, not Discord seeks mutual understanding between management and workers.
- A mental revolution changes the attitudes of both sides so that they recognise their common

interest in organisational prosperity.

Step 1: Identify the decisive words The statement calls for a "complete mental revolution in both management and workers. Taylor used this idea to explain Harmony, not Discord: both groups should transform their thinking, appreciate each other's importance and replace conflict with harmony.

Step 2: Eliminate the alternatives Option (A), Science, not Rule of Thumb, concerns replacing traditional methods with scientific investigation. Option (C), Cooperation, not Individualism, stresses joint effort and mutual cooperation; it is related, but the specific textbook description of mental revolution belongs to harmony. Option (D) concerns selecting and training each person to achieve maximum efficiency and prosperity.

Step 3: Conclusion The principle is Harmony, not Discord. Hence, the correct option is (B).

Quick Tip to Solve: The phrase "mental revolution is the direct textbook cue for Harmony, not Discord.

3. 'There are various measures to overcome communication barriers and improve communication effectiveness.' Which one of the following is not a correct measure ? [1 mark]

(A) Communicate according to the needs of the receiver

(B) Success of communication is not dependent upon proper feedback

(C) Consult others before communicating

(D) Be aware of language, tone and content of the message

Correct Answer: (B) Success of communication is not dependent upon proper feedback

Solution:

Concept:

- Directing: effective communication requires the receiver to understand the message as intended by the sender.
- Feedback allows the sender to check understanding and correct errors or omissions in the message.

Step 1: Test the statement about feedback Option (B) says that success of communication is not dependent upon proper feedback. This is incorrect. Feedback checks whether the receiver has understood the message correctly and whether the required action has followed. Without it, misunderstanding can remain unnoticed.

Step 2: Check the other measures Option (A) is appropriate because communication should suit the receiver's education, experience and needs. Option (C) is appropriate because consultation helps develop a clearer and more acceptable message. Option (D) is appropriate because suitable language, tone and content reduce ambiguity and misunderstanding. All three are recognised measures for effective communication.

Step 3: Conclusion The measure that is not correct is option (B): proper feedback is needed for effective communication.

Quick Tip to Solve: For a negative communication MCQ, check whether an option removes feedback, clarity or attention to the receiver.

4. Identify the level of packaging that refers to additional layers of protection that are kept until the product is ready for use : [1 mark]

(A) Primary packaging

(B) Secondary packaging

(C) General packaging

(D) Transportation packaging

Correct Answer: (B) Secondary packaging

Solution:

Concept:

- Marketing Management: packaging involves designing and producing a container or wrapper for a product.
- Secondary packaging provides additional protection and is kept until the product is ready for use.

Step 1: Identify the level described The words "additional layers of protection kept until use identify secondary packaging. For example, the cardboard box around a toothpaste tube protects the primary package and can be discarded when the tube is taken out for use.

Step 2: Distinguish the other options Option (A), primary packaging, refers to the product's immediate container, such as the toothpaste tube itself. Option (D), transportation packaging, supplies further protection for storage, identification and transport, such as corrugated cartons containing several retail packages. Option (C), general packaging, is not one of the three textbook levels of packaging.

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

Quick Tip to Solve: Use the toothpaste example: tube is primary, retail cardboard box is secondary, and bulk carton is transportation packaging.

5. Match the Element of Promotion Mix given in Column-I with its Explanation given in Column-II :

Column-I	Column-II
1. Public Relations	(i) It is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote some goods or services
2. Sales Promotion	(ii) It involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public
3. Advertising	(iii) It involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales
4. Personal Selling	(iv) It refers to short term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service

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

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

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

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

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

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

Solution:

Concept:

- Marketing Management: the promotion mix comprises advertising, personal selling, sales promotion and public relations.
- Each element has a distinct identifying feature: paid impersonal communication, personal conversation, short-term incentives, or image building.

Step 1: Match each element to its defining feature Public relations promotes or protects the company's image and its products, so 1 matches (ii). Sales promotion uses short-term incentives for immediate buying, so 2 matches (iv). Advertising is paid, impersonal communication by an identified sponsor, so 3 matches (i). Personal selling is oral presentation through conversation with prospective customers, so 4 matches (iii).

Step 2: Verify the complete code Option (A) interchanges sales promotion and personal selling. Option (B) incorrectly connects public relations to paid impersonal communication and advertising to image-protection programmes. Option (C) also assigns the defining features to the wrong elements. Only option (D) keeps all four matches correct.

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

Quick Tip to Solve: Match the distinctive keywords first: image means public relations; incentives mean sales promotion; paid impersonal means advertising.

6. Under the _____ concept, availability and affordability of the product are considered to be the key to the success of a firm. [1 mark]

(A) Marketing

(B) Selling

(C) Product

(D) Production

Correct Answer: (D) Production

Solution:

Concept:

- Marketing Management: the production concept assumes that customers favour products that are widely available and affordable.
- Its managerial focus is greater production efficiency and wider distribution to reduce cost and improve availability.

Step 1: Identify the central emphasis The statement stresses "availability and affordability. These are the central concerns of the production concept. A firm following it concentrates on producing on a large scale, improving efficiency and distributing widely so customers can readily obtain the product at an affordable price.

Step 2: Compare all other concepts Option (A), the marketing concept, begins with the needs and wants of the target market and aims at satisfying them better than competitors. Option (B), the selling concept, stresses aggressive selling and promotion to persuade buyers. Option (C), the product concept, emphasises superior quality, performance and features. None of these has availability and affordability as its defining assumption.

Step 3: Conclusion The blank is filled by the production concept. Hence, the correct option is (D).

Quick Tip to Solve: Availability plus affordability signals production; quality signals product; persuasion signals selling; customer needs signal marketing.

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7. Nikhil owned a paper manufacturing business. His business had been facing losses for the last two years. Nikhil's son, Ravi, who had just completed his studies, had joined his father's business. Ravi was interested in sustainability and thus suggested his father that they should start making eco-friendly paper products. Nikhil agreed and asked Ravi to prepare a proper plan for the same. He also asked Ravi to set a target of earning profit of 10% on sales in the first year itself. Ravi, then began collecting information about the market demand, consumer preferences, availability of raw materials, competition, etc.

Based on this information, he made certain assumptions about the future, such as expected demand for eco-friendly paper products, its price, etc. The step of the planning process performed by Ravi was : [1 mark]

(A) Identifying alternative courses of action

(B) Developing premises

(C) Setting objectives

(D) Implementing the plan

Correct Answer: (B) Developing premises

Solution:

Concept:

- Planning: developing premises means making assumptions about the future conditions in which a plan will operate.
- Forecasts of demand, prices, competition and other relevant factors provide the basis for planning premises.

Step 1: Identify the action Ravi performs Ravi collects information and then makes "certain assumptions about the future, including expected demand and price for eco-friendly paper products. These assumptions are planning premises. Therefore, the step described at the end of the case is developing premises.

Step 2: Distinguish the other steps Option (C), setting objectives, occurred earlier when Nikhil required a profit of 10% on sales in the first year. Option (A), identifying alternative courses of action, would involve listing different possible ways of achieving the objective; that is not Ravi's stated action. Option (D), implementing the plan, means putting the chosen plan into action, whereas Ravi is still preparing its assumptions.

Step 3: Conclusion Ravi is developing premises. Hence, the correct option is (B).

Quick Tip to Solve: Identify the action asked about at the end of a case: future assumptions indicate premises even if an earlier sentence sets an objective.

8. Identify the marketing function depicted in the picture given below : [1 mark]



(A) Promotion

(B) Packaging and Labelling

(C) Storage or Warehousing

(D) Transportation

Correct Answer: (D) Transportation

Solution:

Concept:

- Marketing Management: Transportation is the physical movement of products from the place of production to the place of consumption.
- Physical distribution makes goods available at the right place; transportation overcomes the distance between the producer and customers.

Step 1: Identify the activity shown The picture shows a vehicle marked 'DELIVERY VAN'. Its purpose is to carry goods to their destination. This identifies the marketing function of transportation, which moves goods between places.

Step 2: Check the other options Promotion communicates information to persuade buyers; a delivery vehicle represents movement of goods. Packaging and labelling involve containers, wrappers and product information, none of which is the activity depicted. Storage or warehousing means keeping goods until they are needed; the van depicts their carriage rather than storage.

Step 3: Conclusion The marketing function depicted is **Transportation**. Hence, the correct option is **(D)**.

Quick Tip to Solve: Connect a delivery van with movement between places; a warehouse instead bridges the gap between production and use.

Note: The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 8.

8. Identify the component of physical distribution whose need arises because there may be a difference between the time a product is produced and the time it is required for consumption. [1 mark]

(A) Order processing

(B) Transportation

(C) Warehousing

(D) Inventory control

Correct Answer: (C) Warehousing

Solution:

Concept:

- Marketing Management: Warehousing is the component of physical distribution that stores products between production and their eventual sale or consumption.
- Warehousing creates time utility by making goods available when consumers require them, even if they were produced earlier.

Step 1: Identify the gap described The decisive words are 'a difference between the time a product is produced and the time it is required for consumption'. Goods must be safely stored during this interval. Warehousing meets this need by holding the products until the market requires them.

Step 2: Eliminate the remaining components Order processing deals with receiving and fulfilling customers' orders, so it does not name the storage function. Transportation moves goods between places and bridges a geographical gap. Inventory control determines the appropriate stock level to maintain, balancing availability and stock-holding costs. The question specifically concerns keeping goods across a time gap, which identifies warehousing.

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

Quick Tip to Solve: Use the clue 'time gap' for warehousing; use 'place gap' for transportation and 'stock level' for inventory control.

9. 'Business Environment is the sum total of all things external to business firms and, as such, is aggregative in nature.'

The feature of business environment reflected in the given statement is : [1 mark]

(A) Specific and general forces

(B) Inter-relatedness

(C) Totality of external forces

(D) Complexity

Correct Answer: (C) Totality of external forces

Solution:

Concept:

- Business Environment: totality of external forces means the aggregate of all individuals, institutions and other forces outside the enterprise that affect its performance.
- The features of the business environment include totality, specific and general forces, inter-relatedness, dynamism, uncertainty, complexity and relativity.

Step 1: Identify the decisive words The statement calls the environment the 'sum total of all things external to business firms' and says that it is 'aggregative in nature'. These words stress the collective effect of the external forces considered together.

Step 2: Compare the other features (A) classifies the forces as specific or general; the statement does not make that classification. (B) concerns links between different environmental forces. (D) concerns the difficulty of understanding their many interacting effects. Neither links nor difficulty is the emphasis of the given definition.

Step 3: Conclusion The feature is totality of external forces. Hence, the correct option is (C).

Quick Tip to Solve: Link the words 'sum total' and 'aggregative' directly with totality of external forces.

10. Ajit planned to open a Coffee Café within a couple of months. After the plans were finalised, he divided the work to be done into manageable activities such as purchasing raw materials, food preparation, billing, customer service, cleaning, home delivery, etc. This was done to avoid duplication and to share the burden of work among the employees. The step of the organising process performed by Ajit is : [1 mark]

(A) Departmentalisation

(B) Assignment of duties

(C) Identification and division of work

(D) Establishing authority and reporting relationships

Correct Answer: (C) Identification and division of work

Solution:

Concept:

- Organising: identification and division of work is the first step of the organising process, in which the total work is identified and divided into manageable activities.
- Division of work avoids duplication and distributes the workload; grouping activities, allocating jobs and defining reporting relationships are subsequent steps.

Step 1: Identify what Ajit has done Ajit 'divided the work to be done into manageable activities' such as purchasing, food preparation, billing and cleaning. This identifies the tasks necessary for implementing his plans and breaks the total workload into smaller jobs.

Step 2: Distinguish the later steps (A) Departmentalisation groups similar activities into departments. (B) Assignment of duties allocates jobs to particular employees according to their abilities. (D) Establishing authority and reporting relationships specifies who reports to whom. The case describes division of activities rather than any of these later actions.

Step 3: Conclusion Ajit performed identification and division of work. Hence, the correct option is (C).

Quick Tip to Solve: Look at the action verb: dividing total work indicates the first organising step; grouping similar work indicates departmentalisation.

11. Akki, the Chief Executive Officer of Atria Ltd., a company engaged in manufacturing consumer electrical appliances, was planning to expand his business. For that, large amount of funds were required. He was evaluating different sources of finance and the best mix of funds. Akki approached his friend, Pranav, a Chartered Accountant for guidance. During their discussion, Pranav talked about financial leverage and advised Akki to use more of debt for expansion. Pranav explained that as the financial leverage increases, the cost of funds declines because of increased use of cheaper debt, though the financial risk increases. However, Akki was unable to clearly understand the meaning of financial leverage.

Which of the following statements best explains the meaning of financial leverage with reference to the above case ? [1 mark]

(A) It is the chance that a firm would fail to meet its payment obligations.

(B) It relates to how the firm's funds are invested in different assets.

(C) It is the proportion of debt in the overall capital.

(D) It is the increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest.

Correct Answer: (C) It is the proportion of debt in the overall capital.

Solution:

Concept:

- Financial Management: financial leverage is the proportion of debt in the overall capital of the business.
- Debt carries a fixed interest obligation. Greater debt may reduce the overall cost of funds but increases financial risk because interest and repayment commitments must be met.

Step 1: Connect the case with the definition Pranav advised Akki to 'use more of debt for expansion'. Increasing debt in the financing mix increases financial leverage. Thus the term describes the extent of debt in the overall capital, as stated in option (C).

Step 2: Separate leverage from related concepts (A) defines financial risk: the chance of being unable to meet payment obligations. (B) concerns the investment decision, which allocates funds to assets. (D) describes the favourable effect of fixed financial charges on equity earnings, associated with trading on equity. Such a gain is a possible consequence under suitable conditions, rather than the definition of the debt proportion.

Step 3: Conclusion Financial leverage means the proportion of debt in the overall capital. Hence, the correct option is (C).

Quick Tip to Solve: For the meaning of financial leverage, identify the debt share; distinguish it from financial risk and the possible gain from trading on equity.

12. Read the following statements carefully :

Statement I : In Laissez-faire leadership style, the leader develops action plans and makes decisions in consultation with his subordinates.

Statement II : In Autocratic leadership style, communication is only one-way, with the subordinate only acting according to the command given by the manager.

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

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

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

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

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

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

Solution:

Concept:

- Directing: leadership styles differ in the freedom given to subordinates and their participation in decision-making.
- A democratic leader consults subordinates; a laissez-faire leader allows considerable freedom; an autocratic leader makes decisions and issues commands.

Step 1: Judge Statement I Statement I is false. Developing action plans and taking decisions in consultation with subordinates describes democratic or participative leadership. Under laissez-faire leadership, subordinates largely set their own goals and work out their own plans, with the leader providing support and information when required.

Step 2: Judge Statement II Statement II is true. An autocratic leader decides and gives orders, expecting subordinates to obey. Communication is primarily one-way and downward, which matches the statement that the subordinate acts according to the manager's command.

Step 3: Match the truth combination (A) fails because Statement I is false. (B) fails because Statement II is true. (C) reverses the actual truth values. Only (D) combines a false Statement I with a true Statement II.

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

Quick Tip to Solve: Consultation signals democratic leadership; independent subordinate decisions signal laissez-faire; commands signal autocratic leadership.

13. The process of converting the message into communication symbols such as words, pictures, gestures etc. is known as _____. [1 mark]

(A) Feedback

(B) Media

(C) Encoding

(D) Decoding

Correct Answer: (C) Encoding

Solution:

Concept:

- Directing: encoding is the sender's conversion of a message into communication symbols such as words, pictures or gestures.
- The communication process also includes a medium for transmission, decoding by the receiver, and feedback to the sender.

Step 1: Identify the direction of conversion The question says 'converting the message into communication symbols'. The sender selects words, pictures or gestures to express an idea so that it can be communicated. This conversion into symbols is encoding.

Step 2: Distinguish the remaining elements (A) Feedback is the receiver's response, which helps the sender know whether the message has been understood. (B) Media are the channels through which an encoded message travels. (D) Decoding is the receiver's interpretation of the symbols to obtain their meaning, the reverse direction from the conversion described here.

Step 3: Conclusion The process is encoding. Hence, the correct option is (C).

Quick Tip to Solve: Ideas converted into symbols mean encoding; symbols interpreted for meaning mean decoding.

14. Kavita was gifted a lot of equity shares of different companies by her grandfather on her birthday. The shares were in the form of physical share certificates. Although, the certificates were legally valid, they were difficult to store, manage and trade. So, Kavita got the shares converted into an electronic form.

The process followed by Kavita to get the shares converted into electronic form is known as : [1 mark]

(A) Dematerialisation

(B) Materialisation

(C) Depository

(D) Rematerialisation

Correct Answer: (A) Dematerialisation

Solution:

Concept:

- Financial Markets: dematerialisation converts physical share certificates into electronic holdings maintained through the depository system.
- Rematerialisation is the reverse process, converting electronic holdings back into physical certificates; a depository is the institution that holds securities electronically.

Step 1: Identify the conversion in the case Kavita's shares were 'in the form of physical share certificates', and she got them 'converted into an electronic form'. This movement from paper certificates to electronic records is dematerialisation. It makes holding and transferring securities more convenient.

Step 2: Eliminate the other alternatives (B) Materialisation is not the term for the stated physical-to-electronic conversion. (C) A depository is the institution providing electronic custody and transfer facilities, rather than the conversion process itself. (D) Rematerialisation runs in the opposite direction, from electronic holdings to physical share certificates.

Step 3: Conclusion Kavita followed dematerialisation. Hence, the correct option is (A).

Quick Tip to Solve: Follow the direction: physical certificates to electronic holdings is dematerialisation; the reverse is rematerialisation.

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

Assertion (A) : Transportation is one of the major elements in the physical distribution of goods.

Reason (R) : There may be a difference between the time a product is produced and the time it is required for consumption.

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

(A) Assertion (A) is true, but Reason (R) is false.

(B) Assertion (A) is false, but Reason (R) is true.

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

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

Correct Answer: No printed option: both A and R are true, but R explains warehousing rather than transportation.

Solution:

Concept:

- Marketing Management: Physical distribution involves making goods physically available to customers through transportation, warehousing, inventory control and order processing.
- Transportation overcomes the place gap, whereas storage and warehousing bridge the time gap between production and consumption.

Step 1: Evaluate the assertion Assertion (A) is true. Transportation is a major element of physical distribution because it carries goods from the producer to the place where customers require them.

Step 2: Evaluate the reason Reason (R) is also true. Production and consumption may occur at different times, so finished goods may need to be stored until customers require them.

Step 3: Test the explanatory connection and options The reason explains the need for storage or warehousing, not transportation. Thus, both statements are true, but R is not the correct explanation of A. Options (A), (B) and (C) incorrectly declare at least one true statement false. Option (D) incorrectly claims that R explains A. The required combination is absent from the printed alternatives.

Step 4: Conclusion Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). None of the printed options is correct.

Quick Tip to Solve: Match the gap to the activity: transportation bridges place; warehousing bridges time.

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

Assertion (A) : Financial planning makes the firm better prepared to face the future.

Reason (R) : It helps in forecasting what may happen in future under different business situations.

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

(A) Assertion (A) is true, but Reason (R) is false.

(B) Assertion (A) is false, but Reason (R) is true.

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

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

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

Solution:

Concept:

- Financial Management: Financial planning estimates future financial requirements and determines how these requirements will be met.
- Forecasting different business situations helps the firm prepare financial plans and responses before those situations arise.

Step 1: Evaluate the assertion Assertion (A) is true. Financial planning makes the firm better prepared for the future by anticipating financial requirements and arranging the availability of funds when needed.

Step 2: Evaluate the reason Reason (R) is true. Financial planning helps forecast what may happen under different business situations, including possible changes in sales, operations and the need for funds.

Step 3: Connect the reason to the assertion Forecasting future situations allows managers to prepare suitable responses in advance. This directly explains why financial planning improves preparedness. Option (A) wrongly calls R false, (B) wrongly calls A false, and (C) wrongly calls both false. Option (D) states both the correct truth values and their explanatory relationship.

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

Quick Tip to Solve: For this assertion-reason pair, connect forecasting business situations with advance financial preparedness.

17. Shweta, a graduate from 'Premier Institute of Fashion Technology', was keen to start her own fashion accessories business. She used foresight and intelligent imagination to visualise future demand for her products and possible challenges she could face. Shweta relied on logical and systematic thinking to decide the actions to be taken on various aspects of the business, such as target customers, the types of products to design and the resources required.

The feature of planning highlighted in the above case is : [1 mark]

(A) Planning is futuristic

(B) Planning involves decision-making

(C) Planning focuses on achieving objectives

(D) Planning is a mental exercise

Correct Answer: (D) Planning is a mental exercise

Solution:

Concept:

- Planning: Planning is a mental exercise involving foresight, intelligent imagination, sound judgement and logical, systematic thinking.
- Planning is futuristic and involves decisions, but the most specific feature must be identified from the case emphasis.

Step 1: Identify the decisive case evidence The feature is planning as a mental exercise. Shweta uses 'foresight and intelligent imagination' and relies on 'logical and systematic thinking'. These expressions directly describe the intellectual activity involved in planning business actions.

Step 2: Compare all alternatives Option (A) concerns anticipating future events; future demand is mentioned, but the case specifically emphasises the thought process used. Option (B) concerns choosing among alternative courses of action, which is not the central emphasis here. Option (C) concerns directing plans towards established objectives, rather than the intellectual process described. Option (D) best matches the combination of foresight, imagination and systematic thinking.

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

Quick Tip to Solve: When foresight, imagination and logical thinking appear together, identify planning as a mental exercise.

18. Sudha works in a departmental store. Her job is to ensure that her department is adequately staffed and that her team performs at an optimum level. She assigns them duties and responsibilities and motivates them to ensure that they achieve the desired objectives. The level of management at which Sudha is working is : [1 mark]

(A) Top Level

(B) Middle Level

(C) Operational Level

(D) Both Top and Middle Level

Correct Answer: (B) Middle Level

Solution:

Concept:

- Nature and Significance of Management: Middle management links top management with operational management and implements organisational plans within departments.
- Middle managers ensure adequate departmental staffing, assign duties and responsibilities, and motivate personnel to achieve departmental objectives.

Step 1: Match the case to middle-management functions Sudha works at the middle level. The phrases 'her department is adequately staffed', 'assigns them duties and responsibilities' and 'motivates them' correspond to the NCERT functions of middle management. Her responsibility is for the effective functioning of her department.

Step 2: Eliminate the other levels Top management, option (A), establishes overall objectives, policies and strategies for the organisation. Operational management, option (C), mainly supervises workers and day-to-day production or operating activities. The case instead combines departmental staffing, assignment and motivation, matching option (B). Option (D) incorrectly includes top management; the case gives no organisation-wide policy or strategy role.

Step 3: Conclusion Sudha is working at the middle level of management. Hence, the correct option is (B).

Quick Tip to Solve: Use the cluster of duties: departmental staffing plus assigning responsibilities and motivation signals middle management.

19. Read the following statements carefully :

Statement I : A formal organisation emerges spontaneously from within the informal organisation.

Statement II : In an informal organisation, unity of command is maintained through an established chain of command.

Choose the correct option 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: (D) Both Statement I and Statement II are false.

Solution:

Concept:

- Organising: Formal organisation is deliberately designed by management to specify authority, responsibility and working relationships.
- Informal organisation emerges spontaneously through social interaction among people within the formal organisation, without a prescribed chain of command.

Step 1: Evaluate Statement I Statement I is false because it reverses the relationship. It is the informal organisation that emerges spontaneously within the formal organisation. Formal organisation is consciously created by management to achieve organisational objectives; it does not arise spontaneously from informal relationships.

Step 2: Evaluate Statement II and compare the options Statement II is false. An established chain of command and formal reporting relationships belong to formal organisation. Informal relationships develop through personal interaction and do not follow a prescribed chain maintaining unity of command. Option (A) wrongly makes Statement I true; option (B) wrongly makes Statement II true; option (C) wrongly makes both true. Only option (D) correctly makes both statements false.

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

Quick Tip to Solve: Remember the direction: informal organisation grows within formal organisation; prescribed command belongs to formal structure.

20. According to Maslow, within every human being, there exists a hierarchy of five needs. Identify the correct sequence of these needs from the lowest level to the highest level : [1 mark]

(A) Basic Physiological needs, Safety/Security needs, Esteem needs, Affiliation/Belongingness needs, Self Actualisation needs

(B) Basic Physiological needs, Esteem needs, Safety/Security needs, Affiliation/Belongingness needs, Self Actualisation needs

(C) Basic Physiological needs, Affiliation/Belonginess needs, Safety/Security needs, Esteem needs, Self Actualisation needs

(D) Basic Physiological needs, Safety/Security needs, Affiliation/Belongingness needs, Esteem needs, Self Actualisation needs

Correct Answer: (D) Basic Physiological needs, Safety/Security needs, Affiliation/Belongingness needs, Esteem needs, Self Actualisation needs

Solution:

Concept:

- Directing: Maslow's need hierarchy theory arranges human needs from basic physiological needs to self-actualisation needs.
- The ascending order is basic physiological, safety/security, affiliation/belongingness, esteem and self-actualisation.

Step 1: Arrange the five levels Basic physiological needs, such as food and shelter, occupy the lowest level. Safety/security needs follow. Affiliation/belongingness needs involve acceptance and companionship; esteem needs concern recognition and respect. Self-actualisation, realising personal potential, occupies the highest level.

Step 2: Check the order in each option Option (A) places esteem before affiliation, reversing these two levels. Option (B) places esteem immediately after physiological needs, before safety and affiliation. Option (C) places affiliation before safety/security, reversing the required order. Option (D) alone preserves all five levels in the correct ascending sequence.

Step 3: Conclusion The order is basic physiological, safety/security, affiliation/belongingness, esteem and self-actualisation needs. Hence, the correct option is (D).

Quick Tip to Solve: Check safety before belongingness and belongingness before esteem; these two comparisons eliminate all three distractors.

21. VTK Ltd. was a well known company engaged in selling sweets and beautifully crafted gift hampers. Taking advantage of the traditions of distributing sweets and exchanging gift-packs during festivals in India, VTK Ltd. experienced high demand for its products. The company regularly introduced special festive packs and promotional offers. The company noticed that customers were not only expecting attractive offers, but also faster services, easy payment options and better availability of products. In order to meet those expectations, the company introduced computer-based billing, digital payment facilities and an online system through which customers could place orders from their homes.

In the above case, the two important dimensions of business environment have been discussed. Identify and explain these dimensions. [3 marks]

Solution:

Concept:

- Business Environment: the social environment includes social forces such as customs, traditions, values, lifestyles and expectations that influence business demand.
- Business Environment: the technological environment includes developments in methods and equipment that improve production, distribution and business services.

Step 1: Identify and explain the social environment

- **Social environment:** It consists of social forces, including customs and traditions, values, social trends and society's expectations from business. These influence the goods people buy and the occasions on which they buy them.
- **Evidence from the case:** VTK Ltd. takes advantage of the "traditions of distributing sweets and exchanging gift-packs during festivals in India". These traditions create high demand for sweets and gift hampers. Its special festive packs and promotional offers respond to this demand. Customers' expectations of faster service and convenience also reflect changing social expectations.

Step 2: Identify and explain the technological environment

- **Technological environment:** It includes forces relating to scientific improvements and innovations that provide new ways of producing goods and services and new methods and techniques of operating a business. Businesses adopt such developments to serve customers more effectively.
- **Evidence from the case:** The company introduced "computer-based billing, digital payment facilities and an online system". These are applications of information and communication technology. They help provide faster billing, convenient payment and ordering from home, enabling the company to respond to customers' expectations.

Step 3: Conclusion The two dimensions are the **social environment**, shown by festival traditions and customer expectations, and the **technological environment**, shown by computerised billing, digital payments and online ordering.

Quick Tip to Solve: Link festival customs to the social environment and computerised or online services to the technological environment; quote one case detail for each.

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

(i) Planning provides directions

(ii) Planning facilitates decision-making [3 marks]

Solution:

Concept:

- Planning: deciding in advance what to do and how to do it, by setting objectives and developing courses of action to achieve them.
- Importance of planning: it provides direction for coordinated action and facilitates the selection of a suitable course of action through decision-making.

Step 1: Explain how planning provides directions

- **Clear objectives:** Planning states in advance what is to be achieved. Objectives guide employees about what the organisation has to do and what they must contribute towards achieving its goals.
- **Guidance for coordinated action:** Plans act as a guide for deciding the actions to be taken. When employees know the direction in which they must work, departments and individuals can coordinate their efforts towards a common purpose. Without planning, they may work at cross-purposes and the organisation may fail to achieve its objectives.

Step 2: Explain how planning facilitates decision-making

- **Evaluation of alternatives:** Planning requires managers to look into the future, identify alternative courses of action and evaluate them in relation to the objectives and available resources. This gives a rational basis for comparing possible actions.
- **Selection of the best course:** After evaluating alternatives, managers select the most suitable course of action. Thus planning facilitates decisions about what should be done and how. For example, when planning to increase sales, a manager can compare opening another outlet with selling online before choosing the suitable alternative.

Step 3: Conclusion Planning provides directions by setting objectives and guiding coordinated effort. It facilitates decision-making by requiring managers to evaluate alternatives and select the most suitable course of action.

Quick Tip to Solve: For directions, explain goals and coordinated effort; for decision-making, explain identifying, evaluating and choosing among alternative courses.

OR

22(b). Explain the following types of plans :

(i) Policy

(ii) Procedure [3 marks]

Solution:

Concept:

- Planning: types of plans include policies and procedures, which provide continuing guidance for recurring situations in an organisation.
- A policy guides thinking and decision-making; a procedure specifies the chronological sequence of activities to carry out work.

Step 1: Explain policy as a type of plan

- **Meaning:** A policy is a general statement that guides thinking or channels energies towards a particular direction. It provides a broad framework within which managers make decisions to achieve organisational objectives.
- **Scope and example:** Policies define broad parameters for decisions and leave scope for managerial discretion within those parameters. They promote consistency when similar situations arise. For example, a policy of filling vacancies from within the organisation guides recruitment decisions, while individual selections still require managerial judgement.

Step 2: Explain procedure as a type of plan

- **Meaning:** A procedure is a routine sequence of steps to be followed for carrying out activities. It specifies how work is to be performed and the chronological order in which the activities must occur.
- **Scope and example:** Procedures guide action in recurring situations and help ensure that the required steps are followed consistently. For example, a recruitment procedure may require receiving applications, screening applicants, conducting selection tests and interviews, and then making appointments. These ordered steps put the organisation's recruitment policy into operation.

Step 3: Conclusion A **policy** provides broad guidance for decisions, whereas a **procedure** prescribes an ordered sequence of steps for performing work. Both help implement organisational plans in recurring situations.

Quick Tip to Solve: Remember policy as a broad guide to thinking and procedure as an ordered guide to action; use a related example to make their meanings clear.

23. CD Mart was a growing retail chain in India, operating multiple stores across five cities. It decided to expand its operations further. As the business grew, it became difficult for the senior manager to devote time on important policy decisions. Since that was critical, the Chief Executive Officer, Meera, adopted the policy of selective dispersal of authority in store operations as she believed that the employees were competent, capable and resourceful and could assume responsibility for effective implementation of their decisions. This reduced the need for direct supervision exercised by a superior, giving the top management more time to focus on important policy decisions. This also allowed subordinates to handle assignments independently. The management was thus able to develop a reservoir of qualified manpower, who would be considered to fill up more challenging positions.

(a) Identify and state the concept of management which was adopted by Meera, the Chief Executive Officer of CD Mart, in the above case.

(b) Also explain two points of importance of the concept identified in (a) above. [3 marks]

Solution:

Concept:

- NCERT, Organising: decentralisation means the systematic delegation of authority throughout all levels of the organisation. Decision-making authority is shared with lower levels, while top management retains authority over major policy matters.
- Decentralisation relieves top management and develops managerial talent by allowing subordinates to make and implement decisions within their areas of responsibility.

Step 1: (a) Identify and state the concept The concept adopted by Meera is **decentralisation**. It refers to the systematic delegation of authority throughout all levels of management. The case describes a policy of "selective dispersal of authority in store operations", showing that decision-making power is deliberately shared with lower levels across the organisation. It goes beyond assigning one task to one subordinate and represents an organisation-wide policy.

Step 2: (b) Explain two points of importance

- **Relief to top management:** Sharing decision-making authority reduces the need for direct supervision of routine operations. Senior managers can devote more time to policy formulation and other important decisions. The case states that this gave "the top management more time to focus on important policy decisions".
- **Develops managerial talent for the future:** Independent assignments give subordinates practical experience in exercising judgement, taking decisions and accepting responsibility for results. This prepares them for more challenging managerial positions. In the case, employees could "handle assignments independently", helping develop "a reservoir of qualified manpower".

Step 3: Conclusion Meera adopted **decentralisation**. Its importance here is that it relieves top management and develops managerial talent for future responsibilities.

Quick Tip to Solve: Link selective dispersal of decision-making authority across levels with decentralisation; use the case's policy-time and future-manager clues for its importance.

24(a). Distinguish between 'Functional structure' and 'Divisional structure' of an organisation on the basis of the following :

(i) Formation

(ii) Specialisation

(iii) Managerial development [3 marks]

Solution:

Concept:

- NCERT, Organising: a functional structure groups activities according to the functions performed; a divisional structure groups activities according to products or product lines.
- The grouping determines whether managers gain expertise in a particular function or experience in managing several functions for one product.

Step 1: Establish the basis of comparison A functional structure creates departments such as production, finance and marketing for the organisation as a whole. A divisional structure creates separate product divisions, each normally having the functions required to operate its product business. The following differences address the three bases specified in the question.

Step 2: Distinguish on the three specified bases

Basis	Functional structure	Divisional structure
Formation	Formed by grouping jobs of a similar nature under major functions, such as production, finance and marketing.	Formed by grouping activities related to each product into a separate division, with the necessary functions within it.
Specialisation	Promotes functional specialisation because employees and managers repeatedly perform work within one specialised function.	Promotes product specialisation because each division concentrates on a particular product or product line.
Managerial development	Managerial development is relatively difficult because a functional manager's experience is confined mainly to one function.	Managerial development is facilitated because a divisional manager gains experience in several functions relating to the product.

Step 3: Conclusion Functional structure groups work by function and develops functional expertise. Divisional structure groups work by product and provides broader experience for developing general managers.

Quick Tip to Solve: Remember function versus product first; derive specialisation and the breadth of managerial experience from that grouping.

OR

24(b). Distinguish between 'Formal organization' and 'Informal organization' on the basis of the following :

(i) Authority

(ii) Leadership

(iii) Flow of communication [3 marks]

Solution:

Concept:

- NCERT, Organising: formal organisation is the deliberately designed structure of jobs, authority and reporting relationships. Informal organisation is the network of social relationships that arises spontaneously through interaction at work.
- Formal relationships follow the prescribed official structure, whereas informal relationships are based on personal contacts and acceptance by group members.

Step 1: Identify the nature of the two organisations Formal organisation specifies who reports to whom and who may issue official directions. Informal organisation develops naturally when people interact, share interests and form social groups. Compare the two on authority, leadership and communication, as requested, rather than on their advantages or disadvantages.

Step 2: Distinguish on the three specified bases

Basis	Formal organisation	Informal organisation
Authority	Authority arises from the position occupied in the official management structure. An office-holder has the right to issue directions within the assigned area.	Influence arises from personal qualities and acceptance by other group members, independently of an official position.
Leadership	Managers occupying designated positions are the leaders. Their leadership role is provided by the formal structure.	Leaders emerge through the group itself; members choose or accept those who possess qualities they value.
Flow of communication	Communication passes through the scalar chain, following prescribed official channels and reporting relationships.	Communication has no fixed or planned route; it may pass freely in any direction through personal contacts.

Step 3: Conclusion Formal organisation rests on official positions, designated managers and prescribed communication channels. Informal organisation rests on personal acceptance, emergent leaders and flexible communication routes.

Quick Tip to Solve: For each basis, contrast the official position or prescribed route with personal acceptance or spontaneous relationships.

25(a). Explain the following components of physical distribution :

(i) Order processing

(ii) Inventory control [4 marks]

Solution:

Concept:

- Marketing Management: Physical distribution covers the activities needed to make finished goods available to customers at the right place and time.
- Order processing ensures that customer orders are executed accurately and promptly. Inventory control balances product availability against the cost of holding stock.

Step 1: (i) Order processing: meaning and activities **Order processing:** This component covers the steps involved in receiving and executing a customer's order. It includes recording and checking the order, checking the customer's creditworthiness and the availability of goods, arranging the goods and preparing the necessary documents for dispatch. Accurate processing ensures that the customer receives the correct product in the correct quantity at the agreed time.

Step 2: (i) Order processing: importance of speed and accuracy **Prompt execution:** The time between placing an order and receiving the goods should be kept short. Slow or inaccurate processing delays delivery and can cause customer dissatisfaction. A customer who has to wait too long may shift to a competitor. A reliable order-processing system therefore improves customer service and helps the firm retain its customers.

Step 3: (ii) Inventory control: maintaining adequate stock **Inventory control:** It involves deciding the level of stock of finished goods that the firm should maintain to meet customer orders. Higher inventory improves the firm's ability to supply goods immediately and reduces the risk of losing sales because goods are unavailable. The firm must consider expected demand and the time needed to replenish stock when deciding this level.

Step 4: (ii) Inventory control: balancing service and cost **Optimum inventory:** Holding a large stock requires investment and involves storage, insurance and other carrying costs. Very low stock reduces these costs but increases the risk of shortages, delayed deliveries and lost customers. Inventory control aims to maintain an optimum stock level, balancing the desired standard of customer service with the costs of maintaining inventory.

Step 5: Conclusion Order processing provides timely and accurate execution of orders, while inventory control maintains sufficient stock at a reasonable cost so that goods remain available to customers.

Quick Tip to Solve: Link order processing to the speed and accuracy of delivery, and inventory control to the balance between stock availability and carrying cost.

OR

25(b). Explain the following factors affecting the price determination of a product :

(i) The utility and demand

(ii) Extent of competition in the market [4 marks]

Solution:

Concept:

- Marketing Management: Price determination requires the firm to consider the value customers attach to a product, the demand for it and the competitive conditions in the market.
- Product cost generally sets the minimum price, while the utility perceived by the buyer and the intensity of demand influence the maximum acceptable price. Competition helps determine the price within these limits.

Step 1: (i) Utility and demand: value perceived by the buyer **Utility:** A buyer is willing to buy a product when the utility or benefit received is at least equal to the value of the money spent. A product offering greater utility to customers can command a higher price. Thus, while production cost provides the lower limit, the buyer's perception of the product's utility and the intensity of demand help establish the upper limit of its price.

Step 2: (i) Utility and demand: price sensitivity **Elasticity of demand:** When demand is elastic, buyers are highly sensitive to price: a relatively small rise in price may cause a larger proportionate fall in demand. The firm must therefore be cautious about increasing the price. When demand is inelastic, buyers are less sensitive to price changes and the firm has greater scope to charge a higher price. Consequently, the nature and intensity of demand must be considered before fixing the price.

Step 3: (ii) Extent of competition: competitive pressure **Competitive conditions:** Where close substitutes and several competing sellers exist, buyers can switch to other products. A firm must consider competitors' prices and the features and quality of competing products while fixing its own price. Intense competition normally restricts the firm's freedom to charge a high price and tends to keep prices nearer to competitive levels.

Step 4: (ii) Extent of competition: freedom in pricing **Degree of pricing freedom:** In the absence of competition, the seller has greater freedom to set the price and may charge a higher price, subject to the demand for the product. With strong competition, a high price must be supported by distinctive benefits or superior quality that buyers value. The firm therefore assesses both the number of competitors and the strength of their offerings when deciding its price.

Step 5: Conclusion Utility and demand determine customers' willingness to pay and their response to price changes. The extent of competition determines how far the firm can exercise freedom in fixing its price.

Quick Tip to Solve: Explain utility through willingness to pay, demand through price sensitivity, and competition through the availability of substitutes and rival prices.

26(a). Explain the following factors affecting the requirements of fixed capital of a company :

(i) Diversification

(ii) Level of collaboration [4 marks]

Solution:

Concept:

- Financial Management: fixed capital requirements concern investment in long-term assets such as land, buildings, plant and machinery.
- Diversification generally increases the need for fixed assets, while collaboration that permits the sharing of facilities can reduce each company's investment in them.

Step 1: (i) Diversification **Diversification:** When a company diversifies into new products or new lines of business, its requirement of fixed capital normally increases. The new activity may require additional production facilities, plant, machinery, buildings and other long-term assets. Consequently, the company must arrange more funds to finance these assets. For example, a textile company entering the cement business would need a separate plant and specialised machinery. Thus, wider diversification generally calls for a larger investment in fixed assets; the requirement depends on the facilities needed for the proposed activity.

Step 2: (ii) Level of collaboration **Level of collaboration:** When companies collaborate and share facilities, each company may require less fixed capital than if it acquired all facilities independently. Sharing allows a company to use an existing asset without making the entire investment itself. For example, banks may agree to use one another's ATM network, reducing the need for each bank to install its own ATM at every location. Therefore, a higher level of collaboration involving shared fixed assets can lower the individual company's requirement of fixed capital. Without such collaboration, independently creating the same facilities would require a larger investment.

Step 3: Conclusion Diversification generally raises fixed capital requirements because additional long-term assets are needed. Collaboration through the sharing of facilities can reduce the fixed capital required by each company.

Quick Tip to Solve: For each factor, state the direction of its effect on fixed capital, explain the reason, and add a relevant example of the fixed assets involved.

OR

26(b). Explain the following factors affecting the choice of capital structure of a company :

(i) Tax rate

(ii) Risk consideration [4 marks]

Solution:

Concept:

- Financial Management: capital structure is the proportion of debt and equity used to finance a company's operations and assets.

- Tax deductibility of interest affects the cost of debt, while the combination of business risk and financial risk limits the amount of debt a company can safely use.

Step 1: (i) Tax rate **Tax rate:** Interest on debt is a tax-deductible expense, whereas the dividend paid on equity shares is not deductible in calculating the company's taxable profit. Interest therefore provides a tax saving and reduces the effective cost of debt to the company. The higher the tax rate, the greater this tax saving and the more attractive debt becomes as a source of finance, other factors remaining the same. At a lower tax rate, the tax advantage is smaller, so the relative attraction of debt declines. Hence, tax rate influences the debt-equity mix through its effect on the after-tax cost of borrowing.

Step 2: (ii) Risk consideration **Risk consideration:** A company faces business risk due to its operations, including the burden of fixed operating costs and fluctuations in operating earnings. Debt adds financial risk because interest must be paid and the principal repaid according to the agreed terms, even when earnings are low. The total risk depends on both business risk and financial risk. If business risk is high, the company should use less debt and rely more on equity so that fixed financial obligations do not make total risk excessive. If business risk is low, it may have greater capacity to use debt and accept some financial risk. Thus, the capital structure should keep the company's overall risk within manageable limits.

Step 3: Conclusion A higher tax rate increases the tax advantage of debt. However, the company must balance that benefit against risk: high business risk calls for lower debt, while low business risk permits greater use of debt, other factors remaining the same.

Quick Tip to Solve: Link tax rate to the tax saving on interest, and link risk to the combined burden of business risk and the fixed financial obligations created by debt.

27. Zenne Solutions, a project services company was growing rapidly, but was facing internal management problems from some time. The employees in the company were working on client projects and had to report to both the Project Manager and the Technical Head. The Project Manager asked them to finish the work within strict deadlines whereas, the Technical Head asked them to follow detailed work procedures and check everything carefully. As a result, the employees were confused about whose instructions to follow and their performance started declining. Also, the employees were frequently changed or removed from their job positions. They were not given sufficient time to show their results. This created insecurity among the employees. The quality of the work and the company's image were being affected by this, leading to a loss of clients.

Identify and explain the two principles of management that Zenne Solutions have not followed in the above case. [4 marks]

Solution:

Concept:

- Principles of Management: Fayol's unity of command requires each employee to receive orders from, and be accountable to, only one superior.
- Fayol's stability of personnel requires employees to be given a reasonable period in their posts to

learn the work and demonstrate their performance.

Step 1: Identify and explain unity of command

- **Unity of command:** Each employee should receive orders from only one superior and be responsible to that superior. This avoids conflicting instructions and makes authority and responsibility clear.
- **Evidence and violation:** Employees "had to report to both the Project Manager and the Technical Head". The former stressed "strict deadlines", while the latter wanted "detailed work procedures" and careful checking. The two sources of orders confused employees about whose instructions to follow, and their performance declined. Zenne Solutions should establish one clear reporting superior for each employee so that conflicting orders do not undermine work.

Step 2: Identify and explain stability of personnel

- **Stability of personnel:** After selection and appointment, employees should be retained in their positions for a reasonable minimum period. They need time to learn their duties, settle into the organisation and show results; frequent transfers or removals should be avoided.
- **Evidence and violation:** Employees were "frequently changed or removed from their job positions" and "were not given sufficient time to show their results". This created insecurity and prevented them from developing efficiency in their jobs. By providing reasonable job tenure, the company can reduce insecurity and improve work quality, helping protect its reputation and client relationships.

Step 3: Conclusion Zenne Solutions violated Fayol's principles of **unity of command** and **stability of personnel**.

Quick Tip to Solve: Link reporting to two bosses with unity of command, and frequent removal before results appear with stability of personnel.

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28. Arjun ran a successful retail store specialising in organic products. Over the last few years, his business had been doing very well and the number of customers visiting the store had increased significantly. To meet the growing demand, he decided to expand his business. He was evaluating two investment options :

Option A : Open a new store in the city.

Option B : Launch an online e-commerce platform.

Both the options would involve a huge amount of investment and once made, it would be almost impossible for him to wriggle out of such a decision. Therefore, this decision needed to be taken with utmost care. Arjun was proceeding very carefully as one wrong decision could severely damage the financial fortune of his business.

(i) Identify the financial decision to be taken by Arjun.

(ii) Explain any three factors which would affect this decision. [4 marks]

Solution:

Concept:

- Financial Management: an investment decision concerns how a firm's funds are invested in different assets. A long-term investment decision is also called a capital budgeting decision.
- Capital budgeting decisions are affected by the cash flows of the project, the rate of return and the investment criteria involved.

Step 1: Identify the financial decision in part (i) Arjun must take a **long-term investment decision, or capital budgeting decision**. He is choosing whether to commit funds to a new physical store or an e-commerce platform. The case states that both require "a huge amount of investment" and that it would be "almost impossible for him to wriggle out of such a decision". Such decisions concern long-term assets, affect the business's future earning capacity and involve substantial risk because they are difficult to reverse. This makes careful evaluation essential before he selects an expansion project.

Step 2: Explain three factors affecting the decision in part (ii)

- **Cash flows of the project:** Investment creates cash outflows and, over time, expected cash inflows. Arjun should carefully analyse the amount and timing of the expected cash flows throughout each project's life. This comparison helps him judge how the new store and the online platform would contribute to the business.
- **Rate of return:** The expected return from each project is an important consideration. Arjun should assess the expected returns of both expansion options and the risks associated with them. Other things being equal, he should prefer the project offering the higher rate of return.
- **Investment criteria involved:** Investment appraisal techniques evaluate proposals by considering the amount of investment, interest rate, cash flows and rate of return. Arjun should apply suitable capital budgeting techniques to both options and select the proposal that best satisfies the relevant acceptance and comparison criteria.

Step 3: Conclusion The decision is **capital budgeting**. Its three key factors are **project cash flows, rate of return and investment criteria involved**.

Quick Tip to Solve: Large, long-term and hard-to-reverse expenditure signals capital budgeting; organise its factors as cash flows, return and appraisal criteria.

29. Sakshi is a high performing software engineer working in Bolera Ltd. She received a job offer with a significantly higher pay package from a competing firm. Though the offer was financially very attractive, she did not want to leave her present job because she felt valued in the organization and liked its work-climate like individual autonomy, consideration to employees, etc. So, Sakshi approached her manager and told him about this job offer. Her manager did not want to lose her. Although the competing firm was offering a higher salary, the manager of Bolera Ltd. assured her to provide many other benefits. Over the next few weeks, her existing job was redesigned by the manager to make it more interesting. Her job now included a greater variety of work content, requiring higher level of knowledge and skill, which motivated Sakshi. Not only this, her name was also displayed on the notice-board of the company, highlighting her achievements. In addition, she was given the status of a 'Technical Head' for a major upcoming project, which carried more authority, responsibility, autonomy and powers. The management also provided her with opportunities to improve her skills by offering her training in advanced tools and technologies, so that she would be promoted to higher level jobs in the future. All these measures satisfied her psychological, social and esteem needs. Sakshi now felt confident about her growth and future with Bolera Ltd. Now she no more wanted to look for other competitive packages in other firms.

Identify and explain four non-financial incentives provided to Sakshi. [4 marks]

Solution:

Concept:

- Directing: non-financial incentives motivate employees by satisfying their psychological, social and esteem needs rather than by offering a direct monetary reward.
- Job enrichment, employee recognition programmes, status, and career advancement opportunity are four such incentives illustrated by Sakshi's case.

Step 1: Identify and explain the first two incentives

- **Job enrichment:** Sakshi's job was redesigned to include a 'greater variety of work content, requiring higher level of knowledge and skill'. Job enrichment means designing a job to include a wider variety of work, greater use of knowledge and skills, more autonomy and responsibility, and opportunities for personal growth. It makes work more meaningful, interesting and challenging, thereby motivating the employee.
- **Employee recognition programmes:** Her name was 'displayed on the notice-board of the company, highlighting her achievements'. Recognition means acknowledging and appreciating work performed by employees. Public appreciation of Sakshi's achievements makes her feel valued and satisfies her need for recognition and esteem; it also encourages continued good performance.

Step 2: Identify and explain the other two incentives

- **Status:** She was given the status of a 'Technical Head', carrying 'more authority, responsibility, autonomy and powers'. Status means an employee's position or rank in the organisational hierarchy. The authority, responsibility, recognition and prestige associated with this position satisfy her esteem needs and motivate her to perform well.
- **Career advancement opportunity:** Management offered training in advanced tools and technologies 'so that she would be promoted to higher level jobs in the future'. Providing opportunities to learn new skills and a prospect of promotion enables employees to grow in their careers. These

opportunities satisfy Sakshi's aspirations for advancement and encourage her to improve her performance and remain with Bolera Ltd.

Step 3: Conclusion The four non-financial incentives are **job enrichment, employee recognition programmes, status, and career advancement opportunity**. Together, they satisfy Sakshi's psychological, social and esteem needs and encourage her to stay with the company.

Quick Tip to Solve: Match each case clue separately: varied skilled work means job enrichment; public praise means recognition; rank and authority mean status; training for promotion means career advancement.

30. Chitra, a software engineer, received a bonus for best performance from her company and wanted to invest it in the stock market. Having researched various companies, she identified XYZ Ltd. as a promising investment opportunity. She approached her registered stock broker and placed an order to buy 100 shares of XYZ Ltd. at ₹ 500 per share. The order was executed electronically and the broker issued a trade confirmation slip to Chitra. After the trade was executed, the broker issued a note which was sent to Chitra electronically within 24 hours, fulfilling regulatory requirements.

(i) Name the note issued by the broker to Chitra.

(ii) List the four details which are mentioned in the note identified in (i) above.

(iii) Why is the note issued by the broker to Chitra considered an important document ? State.

[4 marks]

Solution:

Concept:

- Financial Markets: the trading procedure on a stock exchange includes execution of an investor's order and issue of a contract note by the broker within 24 hours of the trade.
- A contract note records the particulars of the transaction and is a legally enforceable document that helps settle disputes between the investor and the broker.

Step 1: (i) Identify the note issued by the broker The note is a **contract note**. The decisive clue is that, after execution of the trade, the broker sent the note to Chitra 'electronically within 24 hours'. A contract note confirms the securities transaction executed by the broker on behalf of the client. The trade confirmation slip mentioned earlier in the case acknowledges execution, while the subsequent formal note records the contractual details of that transaction.

Step 2: (ii) List four details recorded in the contract note

- **Number of shares bought or sold:** It specifies the quantity of securities traded. In Chitra's transaction, 100 shares of XYZ Ltd. were bought.
- **Price of the transaction:** It specifies the price at which the shares were bought or sold. Here, the purchase price was Rs 500 per share.
- **Date and time of the deal:** These identify when the transaction was executed on the stock exchange. The case does not state the actual date or time, but these details must be recorded in the note.
- **Brokerage charges:** It states the charges payable to the broker for executing the trade. The amount of brokerage is not specified in the case.

Step 3: (iii) State the importance of the contract note The contract note is a **legally enforceable document**. Its recorded particulars provide evidence of the transaction and help settle disputes or claims between Chitra and her broker, for example, a disagreement about the quantity bought, the execution price or the brokerage charged. It supplies an authoritative record against which Chitra can verify the trade carried out on her behalf.

Step 4: Conclusion The document is a **contract note**. It records the number of shares bought or sold, transaction price, date and time of the deal, and brokerage charges. Its importance is that it is legally enforceable and helps settle disputes between the investor and the broker.

Quick Tip to Solve: Link 'within 24 hours' to the contract note; recall its four particulars as quantity, price, date and time, and brokerage, then state its legal value.

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31. 'Spice and Taste Ltd.' was a leading company of spice mixes and curry powders. It had a strong foothold in both national and international markets. The company had laid down clear quality standards for each of its products. However, in the last two quarters, the company began receiving an increasing number of complaints regarding the quality of its products. This led to a decline in export orders as well as domestic demand. Recognising the threat to its brand reputation, the management decided to closely monitor the production process to investigate the cause of the problem. For this purpose, the company initiated sample checking and conducted stringent quality checks on nearly 500 packets every week.

(i) Identify the function of management highlighted above.

(ii) Explain the steps of this function discussed above.

(iii) Also explain the steps which are required to complete the process of the function identified in (i) above. [6 marks]

Solution:

Concept:

- Controlling: the management function of ensuring that actual activities conform to planned standards and taking corrective action when necessary.
- The controlling process comprises setting performance standards, measuring actual performance, comparing performance with standards, analysing deviations and taking corrective action.

Step 1: (i) Identify the function The function highlighted is **controlling**. Spice and Taste Ltd. is monitoring product quality against its predetermined standards. The words 'closely monitor the production process' and 'sample checking' show that management wants to find whether actual production meets the desired quality. A fall in demand alerts management to the problem, but checking performance against standards is the controlling activity.

Step 2: (ii) Explain the steps already discussed

- **Setting performance standards:** Standards are the criteria against which actual performance is measured. They should be clear and, wherever possible, measurable so that deviations can be detected objectively. The company 'had laid down clear quality standards for each of its products'; these define the expected quality of its spice mixes and curry powders.

- **Measurement of actual performance:** Actual results must be measured objectively and reliably, using suitable methods such as personal observation, sample checking and reports. The company 'initiated sample checking and conducted stringent quality checks on nearly 500 packets every week'. This supplies regular evidence of the quality actually being produced.

Step 3: (iii) Explain the remaining steps to complete controlling

- **Comparing actual performance with standards:** The results of the weekly checks must be compared with the predetermined quality standards. This comparison reveals whether the packets meet the expected quality and identifies the extent of any shortfall.
- **Analysing deviations:** Management must examine significant differences and establish their causes. Critical point control focuses attention on key areas, while management by exception concentrates on deviations beyond acceptable limits. The company should investigate the reasons for unacceptable quality instead of merely recording complaints; possible causes must be verified from the production evidence.
- **Taking corrective action:** When deviations exceed acceptable limits, management must remove their causes and bring performance back in line with standards. Depending on the cause found, action may involve better supervision, employee training or correcting a production fault. If standards themselves are unrealistic, they may need revision. Subsequent quality checks should establish whether the action has worked.

Step 4: Conclusion The function is **controlling**. The case describes setting standards and measuring actual performance; comparison, analysis of deviations and corrective action complete the process.

Quick Tip to Solve: Match 'quality standards' to setting standards and '500 packets every week' to measurement; then explain the remaining three steps in sequence.

32. Shubha wanted to buy a refrigerator for her house. She visited a large showroom where refrigerators of different brands, capacities, features and price ranges were displayed. The sales person informed her about the various options available. Shubha compared them on the basis of quality, brand, size and price and then chose the one that best suited her family's needs and budget. She purchased a refrigerator for ₹ 96,000 with a one year warranty. Within two weeks, the refrigerator stopped cooling properly. Shubha tried to contact the manufacturer several times through e-mails and phone calls but there was no response from their side. Feeling dissatisfied, Shubha decided to file a complaint in an appropriate consumer court. After examining the evidence, the consumer court found the company guilty of supplying a defective product and failing to resolve the complaint within a reasonable time. The court ordered the manufacture to replace the refrigerator with a new one or refund the money along with compensation for the inconvenience caused to Shubha.

(i) Identify and state the three consumer rights discussed in the above case.

(ii) Which consumer court did Shubha approach and why ?

(iii) State any one responsibility that Shubha fulfilled as a consumer.

(iv) State any two reliefs granted by the consumer court to Shubha. [6 marks]

Solution:

Concept:

- Consumer Protection: consumer rights include the rights to be informed, to choose and to seek redressal against defective goods or deficient services.
- A consumer should make an informed choice and may approach the appropriate consumer dispute redressal commission for remedies against a defective product.

Step 1: (i) Identify and state the three consumer rights

- **Right to be informed:** A consumer has the right to complete information about a product, including its quality, quantity, ingredients, purity, standard and price, to make an informed buying decision. Here, 'the sales person informed her about the various options available', including refrigerators with different capacities, features and prices.
- **Right to choose:** A consumer has the right to choose from a variety of products at competitive prices and to be assured of access to that variety. Shubha 'compared them on the basis of quality, brand, size and price' and chose the refrigerator best suited to her family's needs and budget. She was able to select among the available alternatives.
- **Right to seek redressal:** A consumer has the right to obtain relief against unfair trade practices, restrictive trade practices or unscrupulous exploitation, including relief for defective goods. Shubha 'decided to file a complaint in an appropriate consumer court', which ordered replacement or refund and compensation. This illustrates the practical exercise of this right.

Step 2: (ii) Identify the appropriate consumer court Shubha approached the **District Consumer Disputes Redressal Commission**, commonly called the District Commission. The consideration paid for the refrigerator was Rs 96,000, which falls within the District Commission's pecuniary jurisdiction, covering goods or services paid for up to Rs 50 lakh. Jurisdiction here is based on the consideration paid for the product, rather than on adding an unspecified compensation claim to its price.

Step 3: (iii) State one consumer responsibility fulfilled

- **Be aware of available goods and services to make an intelligent choice:** Shubha fulfilled this responsibility by comparing refrigerators on quality, brand, size and price before selecting one appropriate for her family's needs and budget. Her decision was based on information and comparison of alternatives.

Step 4: (iv) State two reliefs granted by the court

- **Replacement or refund:** The court directed the manufacturer to replace the defective refrigerator with a new one or refund the money paid. These are alternative remedies in the order; the case does not require both together.
- **Compensation:** The court also granted compensation for the inconvenience caused to Shubha by the defective product and the failure to resolve her complaint within a reasonable time.

Step 5: Conclusion The rights are **to be informed, to choose and to seek redressal**. Shubha approached the **District Commission**, made an informed comparison before purchase, and obtained replacement or refund together with compensation.

Quick Tip to Solve: Link the salesperson's information to being informed, comparison to choice, and the court's remedy to redressal; use Rs 96,000 to select the District Commission.

33(a). Explain the following features of management :

(i) Management is a group activity

(ii) Management is a dynamic function

(iii) Management is a continuous process [6 marks]

Solution:

Concept:

- Nature and Significance of Management: management is a group activity in which individual efforts are coordinated towards common organisational objectives.
- The characteristics of management include its dynamic nature and its continuous process of interrelated functions.

Step 1: (i) Management is a group activity

- **Common purpose:** An organisation consists of people with different needs, abilities and aspirations who work together for a common purpose. Management makes the members contribute to the achievement of the organisation's goals.
- **Coordination of individual efforts:** Management directs and coordinates the efforts of these individuals as members of a group. Through teamwork, communication and cooperation, it integrates their work so that the group achieves results that isolated individual efforts may not achieve.

Step 2: (ii) Management is a dynamic function

- **Response to the environment:** Every organisation operates in an environment containing economic, social, technological and other forces. These forces change, requiring the organisation to adapt. Management therefore changes its goals, plans and methods according to the requirements of the situation.
- **Adaptation in practice:** For instance, when technology or customer preferences change, managers may introduce new production methods, train employees or revise products and marketing plans. Thus, management responds actively to change instead of following a fixed course regardless of circumstances.

Step 3: (iii) Management is a continuous process

- **Ongoing functions:** Management consists of planning, organising, staffing, directing and controlling. These functions are performed continuously as long as the organisation exists. Achieving one objective does not end management; further activities require it again.
- **Interrelated performance:** Managers perform these functions in an ongoing, interrelated manner, often simultaneously. While directing current work, a manager may plan future operations, recruit staff and compare actual performance with standards. Feedback from controlling leads to corrective action and fresh planning, keeping the management process in operation.

Step 4: Conclusion Management integrates people's efforts as a group, adapts the organisation to changing conditions and continuously performs interrelated functions to achieve organisational goals.

Quick Tip to Solve: Link group activity with coordinated effort, dynamic function with environmental change, and continuity with the ongoing five management functions.

OR

33(b). Explain the following features of principles of management :

(i) Flexible

(ii) Mainly behavioural

(iii) Cause and effect relationship [6 marks]

Solution:

Concept:

- Principles of Management: management principles are broad and general guidelines for managerial decision-making and behaviour.
- Their nature includes flexibility, a mainly behavioural focus and the establishment of cause and effect relationships in managerial situations.

Step 1: (i) Flexible

- **Scope for modification:** Principles of management are flexible guidelines rather than rigid prescriptions. Managers can modify their application according to the situation, the nature of the organisation and its requirements.
- **Situational application:** For example, the appropriate degree of centralisation depends on the circumstances. A smaller organisation may concentrate authority at the top, whereas a larger organisation may decentralise decision-making more widely.

Step 2: (ii) Mainly behavioural

- **Influence on human behaviour:** Management principles aim mainly at influencing the behaviour of human beings. They help managers understand relationships among superiors, subordinates and other members of the organisation and guide how people work together.
- **Connection with other resources:** These principles also help in using material resources effectively, but they do so through people. For example, efficient use of a machine depends on the employees who operate it and the managers who organise their work. Thus, the principles help managers understand the relationship between human and material resources.

Step 3: (iii) Cause and effect relationship

- **Anticipating consequences:** Management principles seek to establish relationships between causes and effects. They indicate the likely result of a particular managerial action and help managers anticipate the consequences of their decisions. For example, division of work is expected to increase proficiency through specialisation and thereby improve efficiency.
- **Dependence on conditions:** These relationships are less exact than those of the physical sciences because human behaviour is complex and changing situations influence results. A principle can guide the likely outcome, but the effect may vary with the circumstances. Such cause and effect relationships are most useful in comparable situations.

Step 4: Conclusion Management principles permit flexible application, mainly guide human behaviour and explain the likely consequences of managerial actions, subject to the conditions in which they are applied.

Quick Tip to Solve: Explain flexibility through managerial discretion, behavioural nature through people, and cause and effect through likely results under comparable conditions.

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

(i) Placement and Orientation

(ii) Training and Development

(iii) Promotion and Career Planning [6 marks]

Solution:

Concept:

- Staffing: the staffing process includes placing selected employees, introducing them to the organisation, improving their capabilities and providing opportunities for advancement.
- Placement and orientation help a new employee begin work effectively; training, development and career planning help employees grow with the organisation.

Step 1: (i) Placement and orientation

- **Placement:** It refers to the employee occupying the position or post for which he or she has been selected. After selection and appointment, the employee is assigned the specific job and its duties.
- **Orientation:** It means introducing the selected employee to other employees and familiarising him or her with the rules and policies of the organisation. This helps the newcomer settle into the work environment.

Step 2: (ii) Training and development

- **Training:** It is the systematic process of increasing employees' knowledge and skills for doing their specific jobs. It helps employees learn the correct methods of work and improve their performance in the present job.
- **Development:** It involves the overall growth of employees and prepares them for greater responsibilities in the future. Its scope is broader than training: it develops capabilities, understanding and potential beyond the immediate requirements of a particular job.

Step 3: (iii) Promotion and career planning

- **Promotion:** It means moving an employee to a higher position involving greater responsibility, status and usually higher pay. Opportunities for promotion recognise employees' capabilities and motivate them to improve their performance.
- **Career planning:** It involves considering employees' career aspirations and providing suitable opportunities for their growth and advancement. Managers should identify paths to higher responsibilities and enable employees to acquire the capabilities needed for them.

Step 4: Conclusion Placement and orientation establish the employee in the organisation; training and development improve present skills and future capabilities; promotion and career planning provide advancement and growth opportunities.

Quick Tip to Solve: Explain both words in each pair: job assignment and introduction; present-job skills and overall growth; advancement and the path for future growth.

OR

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

(i) Direct Recruitment

(ii) Labour Contractors

(iii) Web Publishing [6 marks]

Solution:

Concept:

- Staffing: recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.
- External sources attract candidates from outside the organisation.

Step 1: (i) Direct recruitment

- **Meaning and procedure:** Under direct recruitment, a notice is placed on the notice board of the enterprise specifying the details of the jobs available. Job seekers assemble outside the premises on a specified date. The enterprise selects suitable candidates from among those who have assembled there.
- **Suitability and economy:** This source is generally used for casual vacancies of unskilled or semi-skilled workers. Workers recruited in this way are often called casual workers or *badli* workers. It is useful when regular workers are absent or when an extra volume of work must be handled. It avoids the cost of advertising the vacancy and can provide workers quickly.

Step 2: (ii) Labour contractors

- **Meaning and procedure:** Labour contractors maintain close contact with workers and supply the required number of workers to an organisation at short notice.
- **Suitability and limitation:** Workers recruited through labour contractors are generally unskilled. However, workers remain closely associated with the contractor; if the contractor leaves the organisation, the workers employed through that contractor may also leave.

Step 3: (iii) Web publishing

- **Meaning and procedure:** Organisations publish information about vacancies on the internet. Specialised employment websites provide a platform on which employers advertise jobs and job seekers place their resumes or search for suitable vacancies.
- **Reach and convenience:** Online vacancy information can reach a large number of prospective candidates. Candidates can examine job requirements and apply online, while employers can access information about available applicants.

Step 4: Conclusion Direct recruitment attracts workers through a notice at the enterprise, labour contractors supply workers through their contacts, and web publishing connects organisations and prospective employees through the internet.

Quick Tip to Solve: For each source, state how candidates are reached and add its distinctive feature: casual workers, contractor-linked labour, or online vacancy and resume services.