CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/7/1 - 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.

1. 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:

- Middle management includes departmental heads who translate organisational plans into departmental action.
- Their functions include ensuring staff availability, assigning responsibilities and motivating employees.

Step 1: Identify the level from the case Sudha ensures that her department is 'adequately staffed' and assigns 'duties and responsibilities'. These are the NCERT functions of middle management, which coordinates a department and ensures that its personnel implement organisational plans.

Step 2: Eliminate the other levels Top management sets overall objectives and policies, so (A) is unsuitable. Operational management directly supervises workers and daily production activities, rather than managing the departmental staffing described here, so (C) is unsuitable. The case does not give Sudha overall policy authority; therefore (D) is also incorrect.

Step 3: Conclusion Sudha works at the middle level of management. The correct option is (B).

Quick Tip to Solve: Look for departmental staffing and assignment of responsibility to identify middle management.

2. 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:

- Formal organisation is deliberately created by management with defined authority and responsibility.
- Informal organisation develops spontaneously through personal interaction within the formal organisation.

Step 1: Examine Statement I Statement I is false. It reverses the relationship: informal organisation emerges spontaneously within the formal organisation. The formal structure is consciously designed by management; it does not arise spontaneously from informal relationships.

Step 2: Examine Statement II and the options Statement II is also false. An established chain of command and unity of command belong to the formal organisation. Informal relationships have no prescribed chain of command. Option (A) wrongly accepts Statement I, (B) wrongly accepts Statement II, and (C) wrongly accepts both statements.

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

Quick Tip to Solve: Associate deliberate structure and chain of command with formal organisation, and spontaneous relationships with informal organisation.

3. 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:

- Maslow places human needs in ascending order: physiological, safety, affiliation, esteem and self-actualisation.
- A lower unsatisfied need generally motivates behaviour before higher needs become dominant.

Step 1: Arrange the needs Basic physiological needs such as food and rest come first. Safety/security needs follow. Affiliation/belongingness needs concern acceptance and friendship; esteem needs concern recognition and self-respect. Self-actualisation, or realising one's potential, occupies the highest level.

Step 2: Compare every sequence Option (D) preserves this order. Option (A) incorrectly places esteem before affiliation. Option (B) places esteem before safety and affiliation. Option (C) places affiliation before safety. Each of these three sequences therefore violates the stated hierarchy.

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

Quick Tip to Solve: Remember the progression: survival, security, belonging, recognition, and fulfilment of potential.

4. Identify the level of packaging that refers to the product's immediate container : [1 mark]

(A) Primary packaging

(B) Secondary packaging

(C) General packaging

(D) Transportation packaging

Correct Answer: (A) Primary packaging

Solution:

Concept:

- Primary packaging is the immediate container of the product.
- Secondary packaging adds protection to the primary pack; transportation packaging protects goods during storage and movement.

Step 1: Apply the definition The question asks specifically for the product's immediate container. This is primary packaging, such as a toothpaste tube or a medicine bottle. It directly holds the product and is the first level of packaging.

Step 2: Check the alternatives Option (B), secondary packaging, refers to an additional protective layer, such as the cardboard box around a toothpaste tube. Option (D) refers to packaging used for bulk handling, storage and transport, such as a corrugated box. Option (C), general packaging, is not the NCERT name for the immediate container.

Step 3: Conclusion The product's immediate container is primary packaging. The correct option is (A).

Quick Tip to Solve: Identify the package that directly holds the product to distinguish primary packaging from its outer layers.

5. 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 is a mental exercise involving foresight, intelligent imagination and sound judgement.

- It requires logical and systematic thinking rather than guesswork or wishful thinking.

Step 1: Identify the decisive clues Shweta uses 'foresight and intelligent imagination' and relies on 'logical and systematic thinking'. These words directly describe planning as a mental exercise: she thinks through customers, product design and resources before acting.

Step 2: Compare the alternatives Option (A) relates to anticipating future events, but captures only part of the case. Option (B) emphasises choosing among alternatives, which is not the central emphasis of the quoted wording. Option (C) concerns directing activities towards objectives. The repeated emphasis on intellectual effort and systematic thought makes (D) the most appropriate answer.

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

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

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6. 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 planning estimates funding requirements and sources, helping a business prepare for future financial situations.
- Forecasting alternative business situations helps management anticipate problems and prepare suitable responses.

Step 1: Judge the assertion The assertion is true. Financial planning makes the firm better prepared for the future because management anticipates financial requirements and arranges resources before difficulties arise.

Step 2: Judge the reason The reason is true. Financial planning forecasts what may happen under different business situations, allowing the firm to consider the financial consequences of changing conditions.

Step 3: Test the explanation and options The forecasting described in the reason explains the preparedness stated in the assertion: anticipating different situations enables timely financial decisions.

Option (A) wrongly rejects the reason, (B) wrongly rejects the assertion, and (C) wrongly rejects both. Only (D) gives their correct truth values and explanatory relationship.

Step 4: Conclusion Both statements are true, and the reason correctly explains the assertion. The correct option is (D).

Quick Tip to Solve: For an assertion-reason item, check both truth values before asking whether the reason explains the assertion.

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7. 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: Both statements are true, but Reason (R) is not the correct explanation of Assertion (A); this alternative is absent.

Solution:

Concept:

- Physical distribution includes order processing, transportation, warehousing and inventory control.
- Transportation bridges the place gap, whereas warehousing bridges the time gap between production and consumption.

Step 1: Judge the assertion The assertion is true. Transportation is a major element of physical distribution because goods must move from the place of production to the place where customers require them.

Step 2: Judge the reason The reason is also true. Production and consumption may occur at different times. However, this time gap establishes the need for warehousing, which stores goods until they are needed; it does not explain transportation.

Step 3: Test the relationship against all options The correct relationship is: both statements are true, but the reason is not the correct explanation of the assertion. Option (A) incorrectly calls the reason false. Option (B) incorrectly calls the assertion false. Option (C) incorrectly calls both false. Option (D) wrongly says that the reason explains the assertion. Thus none of the four printed alternatives is defensible.

Step 4: Conclusion Both statements are true, but Reason (R) explains warehousing rather than transportation and does not explain Assertion (A). None of the printed options is correct.

Quick Tip to Solve: Distinguish gaps carefully: transportation bridges place, while warehousing bridges time.

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8. 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 securities into electronic balances.
- Choose the textbook term that matches the precise action or feature described.

Step 1: Recognise the conversion Kavita gets physical share certificates converted into electronic form. This is dematerialisation: the securities are held electronically through the depository system, making them easier to hold, transfer and trade. The case words 'shares converted into an electronic form' identify the direction of conversion.

Step 2: Eliminate the alternatives Materialisation does not name this prescribed conversion process. A depository is the institution that holds securities electronically, rather than the name of the conversion. Rematerialisation is the reverse process, converting electronic holdings back into physical certificates.

Step 3: Conclusion Dematerialisation; the correct option is (A).

Quick Tip to Solve: Check the direction: physical to electronic means dematerialisation.

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9. 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: the communication process includes encoding, transmission, decoding and feedback.
- Choose the textbook term that matches the precise action or feature described.

Step 1: Locate the stage The sender first converts an idea or message into symbols that can be transmitted and understood. Choosing words, pictures or gestures to represent that message is

encoding. The question explicitly asks about converting the message into such symbols, so it refers to the sender's expression of the idea.

Step 2: Distinguish the other stages Feedback is the receiver's response to the message. Media refers to the channel through which a message travels. Decoding is the receiver's conversion of the received symbols into meaning. None of these names the initial conversion of an idea into communication symbols.

Step 3: Conclusion Encoding; the correct option is (C).

Quick Tip to Solve: Encoding creates symbols at the sender; decoding interprets them at the receiver.

10. 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: autocratic, democratic and laissez-faire leadership differ in decision-making and subordinate freedom.
- Choose the textbook term that matches the precise action or feature described.

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, the leader gives subordinates a high degree of freedom to make decisions and perform work, supplying information and support as needed.

Step 2: Judge Statement II and the options Statement II is true. An autocratic leader gives orders, expects obedience and uses predominantly one-way downward communication. Thus (A) and (C) fail because they treat Statement I as true; (B) fails because it treats Statement II as false. The combination required is false for I and true for II.

Step 3: Conclusion Statement I is false and Statement II is true; the correct option is (D).

Quick Tip to Solve: Consultation signals democratic leadership; freedom signals laissez-faire leadership.

11. '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 forces outside a business.
- Choose the textbook term that matches the precise action or feature described.

Step 1: Identify the defining words The expression 'sum total of all things external to business firms' directly identifies totality of external forces. The business environment comprises all external individuals, institutions and other forces which lie outside the enterprise and may affect its performance. The word 'aggregative' reinforces that these are taken together.

Step 2: Reject other features Specific and general forces distinguishes direct influences from broader influences. Inter-relatedness means environmental elements influence one another. Complexity refers to the difficulty of understanding their many interacting effects. These features are valid, but none is the feature defined by the quoted emphasis on the sum total.

Step 3: Conclusion Totality of external forces; the correct option is (C).

Quick Tip to Solve: When the statement stresses sum total or aggregate, select totality of external forces.

12. 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 refers to the proportion of debt in the overall capital.
- Choose the textbook term that matches the precise action or feature described.

Step 1: Apply the textbook meaning Pranav advises Akki to 'use more of debt for expansion'. Financial leverage measures the extent to which debt is used in the overall capital of a business. A larger debt proportion means higher financial leverage. The case links this greater use of debt with cheaper funds and increased financial risk.

Step 2: Separate meaning from effects Option (A) defines financial risk, the chance of failing to meet payment obligations. Option (B) concerns the investment decision or asset composition. Option (D) describes a possible favourable effect on equity shareholders from using debt, called trading on equity; such an increase in earnings is conditional, not the meaning of financial leverage itself.

Step 3: Conclusion It is the proportion of debt in the overall capital; the correct option is (C).

Quick Tip to Solve: Distinguish the debt proportion from its possible effect on shareholders' earnings.

13. 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 in the organising process.
- Choose the textbook term that matches the precise action or feature described.

Step 1: Connect the case with the step Ajit 'divided the work to be done into manageable activities' such as purchasing, food preparation, billing and cleaning. Identification and division of work identifies the activities needed to implement the plan and breaks the total work into manageable tasks. This avoids duplication and allows the burden to be shared.

Step 2: Distinguish the later steps Departmentalisation groups similar activities into departments after work is identified. Assignment of duties allocates jobs to particular employees. Establishing authority and reporting relationships specifies who reports to whom. The case emphasises breaking down the work itself, so these later steps are not the answer.

Step 3: Conclusion Identification and division of work; the correct option is (C).

Quick Tip to Solve: Breaking total work into tasks is division; grouping similar tasks is departmentalisation.

14. 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 one place to another.
- Choose the textbook term that matches the precise action or feature described.

Step 1: Interpret the picture The picture shows a vehicle labelled 'DELIVERY VAN'. A delivery van carries products from the place of production or storage to markets and customers. This depicts transportation, a marketing function and a component of physical distribution that makes products available at the place where they are needed.

Step 2: Check every alternative Promotion communicates information and persuades customers to buy; the picture depicts delivery rather than an advertising activity. Packaging and labelling concern a product's container and identifying information. Storage or warehousing holds goods until required. The visible vehicle instead provides movement of goods, making transportation the appropriate choice.

Step 3: Conclusion Transportation; the correct option is (D).

Quick Tip to Solve: A delivery vehicle indicates movement of goods; a warehouse indicates holding goods.

OR

Note: The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 14.

14 (Visually Impaired Candidates). 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 a component of physical distribution that stores goods until they are required for consumption.
- Storage bridges the time gap between production and consumption and helps ensure regular availability of products.

Step 1: Identify the component from its purpose The decisive words are 'a difference between the time a product is produced and the time it is required for consumption'. Goods produced earlier must be held safely until buyers need them. Warehousing performs this storage function and creates time utility by making products available when required. Hence the description matches warehousing.

Step 2: Examine the remaining options Order processing concerns receiving and executing customers' orders accurately and promptly; it does not itself bridge the production-consumption time gap. Transportation moves goods between places and creates place utility. Inventory control determines the appropriate quantity of stock to maintain, balancing availability and carrying costs. Although stock decisions and storage are related, the component specifically needed to hold goods across the stated time gap is warehousing.

Step 3: Conclusion The component is warehousing. The correct option is (C).

Quick Tip to Solve: Match a time gap with warehousing and a place gap with transportation.

15. 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
- Identify the defining NCERT feature, then compare every printed alternative with that feature.

Step 1: Identify the case evidence Ravi made 'certain assumptions about the future', including expected demand and price of eco-friendly paper products. These assumptions form the base on which the proposed plan will operate. Collecting information about the market helps him make these assumptions realistic.

Step 2: Distinguish the planning steps Developing premises means making assumptions about future conditions affecting a plan. Option (A) would involve identifying different possible courses of action. Option (C) is illustrated by Nikhil's earlier target of earning 10% profit on sales, rather than Ravi's subsequent assumptions. Option (D) would mean putting the chosen plan into action, which has not yet occurred.

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

Quick Tip to Solve: Look for assumptions about future demand and price: these are planning premises, whereas the profit target is an objective.

16. 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: production concept
- Identify the defining NCERT feature, then compare every printed alternative with that feature.

Step 1: Identify the emphasis The production concept assumes that consumers favour products that are widely available and affordable. A firm therefore concentrates on increasing production efficiency and improving distribution so that the product can be offered at a low price and is readily accessible.

Step 2: Eliminate the other philosophies Option (A), the marketing concept, begins with identifying and satisfying customer needs more effectively than competitors. Option (B), the selling concept, emphasises aggressive selling and promotional efforts. Option (C), the product concept, stresses superior quality, performance and features. None places the stated combined emphasis on availability and affordability.

Step 3: Conclusion Availability and affordability are central to the production concept. Hence, the correct option is (D).

Quick Tip to Solve: Associate low prices and wide availability with production efficiency and distribution under the production concept.

17. 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: elements of promotion mix
- Identify the defining NCERT feature, then compare every printed alternative with that feature.

Step 1: Match the distinctive definitions Public relations promotes or protects the company's image, so 1 matches (ii). Sales promotion uses short-term incentives for immediate purchase, so 2 matches (iv). Advertising is paid, impersonal communication by an identified sponsor, so 3 matches (i). Personal selling involves an oral conversation with prospective buyers, so 4 matches (iii).

Step 2: Check the alternatives Option (D) contains all four correct matches. Option (A) wrongly assigns oral conversation to sales promotion and short-term incentives to personal selling. Option (B) wrongly assigns paid impersonal communication to public relations and image protection to advertising. Option (C) mismatches all four elements: incentives, paid communication, conversation and image protection belong to different tools.

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

Quick Tip to Solve: Match incentives with sales promotion and conversation with personal selling first; then check image building and paid communication.

18. '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
- Identify the defining NCERT feature, then compare every printed alternative with that feature.

Step 1: Read the identifying phrase The decisive phrase is 'complete mental revolution on the part of both management and workers'. Taylor's principle of harmony, not discord calls for both sides to transform their thinking and recognise that their interests are linked. They should work together for the organisation's prosperity instead of treating one another as opponents.

Step 2: Distinguish the other principles Option (A) replaces rule-of-thumb decisions with scientific analysis. Option (C) emphasises cooperation and participation rather than individualism; although related to harmonious relations, the quoted mental revolution is specifically explained under harmony, not discord. Option (D) concerns scientific selection and training to develop each person's efficiency and prosperity. These do not identify the principle named by the quoted statement.

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 textbook cue for harmony, not discord; link it to changing the attitudes of both sides.

19. 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: strategy and objectives as types of plans
- Identify the defining NCERT feature, then compare every printed alternative with that feature.

Step 1: Separate a destination from a comprehensive plan An objective is the desired future position that management seeks to reach. A strategy is a comprehensive plan for accomplishing organisational

objectives. It determines the organisation's long-term direction and scope and gives a broad framework for major decisions. Thus the description in option (C) defines an objective rather than a strategy.

Step 2: Check why the remaining statements are correct Option (A) correctly says that strategy provides the broad contours of the business. Option (B) correctly connects strategy with future decisions about long-term direction and scope. Option (D) correctly describes strategy as a comprehensive plan for accomplishing objectives. Since the question asks for the incorrect statement, these three accurate descriptions cannot be selected.

Step 3: Conclusion The incorrect statement is (C): it describes an objective, not a strategy. Hence, the correct option is (C).

Quick Tip to Solve: Underline incorrect, then distinguish the desired destination (objective) from the comprehensive plan for reaching it (strategy).

20. '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: improving communication effectiveness
- Identify the defining NCERT feature, then compare every printed alternative with that feature.

Step 1: Assess the statement about feedback Effective communication requires feedback from the receiver. Feedback enables the sender to check whether the message has been correctly understood and whether the intended response has followed. If understanding differs from the intended meaning, the sender can clarify it. Therefore, the claim that success is not dependent on proper feedback is incorrect.

Step 2: Verify the other measures Option (A) is correct because the message should suit the receiver's understanding and needs. Option (C) is correct because consultation can help prepare a message and obtain participation. Option (D) is correct because appropriate language, tone and content reduce misunderstanding. These all improve effectiveness, whereas option (B) rejects a necessary check on understanding.

Step 3: Conclusion The measure that is not correct is the statement denying the importance of proper feedback. Hence, the correct option is (B).

Quick Tip to Solve: For a negative communication MCQ, test whether the measure helps the sender confirm understanding; proper feedback always helps.

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

(i) Planning provides directions

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

Solution:

Concept:

- Planning: Importance of planning in providing directions and facilitating decision-making.
- Planning means deciding in advance what to do and how to do it; it sets objectives and identifies suitable courses of action.

Step 1: Explain how planning provides directions **(i) Planning provides directions:** Planning clearly states in advance the objectives to be achieved and how work is to be performed. It therefore gives direction to the efforts of all employees. Employees know what the organisation has to do and what they must contribute towards it. Different departments and individuals can work purposefully towards common goals. Without planning, employees may work at cross-purposes and the organisation may be unable to achieve its desired objectives.

Step 2: Explain how planning facilitates decision-making **(ii) Planning facilitates decision-making:** Planning requires a manager to look ahead, identify alternative courses of action and evaluate their likely results in relation to the objectives. The manager then selects the most suitable alternative. Thus, instead of choosing a course of action without examining its consequences, the manager makes a rational choice after comparing the available alternatives. Planning makes this selection easier by providing the objectives and the basis on which alternatives are assessed.

Step 3: Conclusion Planning gives a common direction to organisational efforts and facilitates rational decisions through the identification, evaluation and selection of alternatives.

Quick Tip to Solve: For directions, connect clear objectives with employee effort; for decision-making, mention alternatives, evaluation and selection.

OR

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

(i) Policy

(ii) Procedure [3 marks]

Solution:

Concept:

- Planning: Policy and procedure are types of plans that guide recurring decisions and activities.
- A policy provides a broad framework for decisions; a procedure specifies the chronological sequence of steps for carrying out an activity.

Step 1: Explain policy **(i) Policy:** A policy is a general statement that guides thinking or channels efforts towards a particular direction. It provides a broad framework within which managers take decisions and exercise discretion. Policies are based on organisational objectives and promote

consistency in decisions, especially in recurring situations. For example, a policy of filling senior vacancies through internal promotion guides recruitment decisions without prescribing every action in the selection process. A policy therefore indicates the general approach to be followed.

Step 2: Explain procedure **(ii) Procedure:** A procedure lays down the routine steps for carrying out an activity. It specifies the exact chronological sequence in which the work is to be performed, so employees know what must be done first and what must follow. Procedures generally apply across departments and help ensure a uniform way of handling recurring work. For example, a recruitment procedure may specify inviting applications, screening them, conducting tests and interviews, and issuing an appointment letter, in that order. A procedure describes the steps of action rather than merely giving broad guidance.

Step 3: Conclusion A policy guides decisions within a broad framework, whereas a procedure prescribes the sequence of steps needed to carry out an activity.

Quick Tip to Solve: Remember the distinction: policy guides thinking and decisions; procedure sets out steps in chronological order.

22. 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:

- Organising: Decentralisation means the systematic delegation of authority throughout the organisation, down to its lower levels.
- The importance of decentralisation includes relief to top management and the development of managerial talent for the future.

Step 1: Identify and state the concept **(a) Decentralisation:** The concept adopted by Meera is decentralisation. It refers to the systematic delegation of authority throughout the organisation, extending to lower levels. The phrase "selective dispersal of authority in store operations" shows that decision-making authority is being shared with lower levels so employees can take responsibility for implementing their decisions.

Step 2: Explain relief to top management **(b)(i) Relief to top management:** Decentralisation reduces the need for direct supervision because subordinates are given authority to take operating decisions. Senior managers can consequently devote more attention to important policy decisions. The case states that this gave "the top management more time to focus on important policy decisions", directly illustrating this benefit.

Step 3: Explain development of managerial talent for the future **(b)(ii) Develops managerial talent for the future:** Decentralisation gives subordinates an opportunity to handle assignments independently and exercise judgement. By making decisions and accepting responsibility for their results, they gain experience and develop managerial ability. This prepares them for more challenging positions. The case states that management developed "a reservoir of qualified manpower", who could be considered for such positions.

Step 4: Conclusion Meera adopted decentralisation, which relieved top management and developed managerial talent for future responsibilities.

Quick Tip to Solve: Identify decentralisation from dispersal of authority, then link each importance point to a separate sentence in the case.

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23. 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 comprises social forces such as traditions, values, social trends and expectations.
- Business Environment: the technological environment comprises scientific improvements and innovations that provide new ways of producing and delivering goods and services.

Step 1: Identify and explain the social dimension **Social environment:** This includes traditions, customs, values, social trends and society's expectations. These forces influence what people buy and how businesses respond to their needs. The case refers to the "traditions of distributing sweets and exchanging gift-packs during festivals in India". This tradition creates high demand for VTK Ltd.'s sweets and gift hampers. Its special festive packs and promotional offers respond to this social practice. Customers' expectations regarding speed, convenience and availability also reflect changing expectations in society.

Step 2: Identify and explain the technological dimension **Technological environment:** This includes

technological developments and innovations that create new methods of conducting business and serving customers. The relevant evidence is that the company "introduced computer-based billing, digital payment facilities and an online system". Computer-based billing helps it provide quicker service, digital payments offer convenient payment methods, and online ordering enables customers to place orders from home. These changes show VTK Ltd. using technology to meet customers' expectations and improve the delivery of its services.

Step 3: Conclusion The two dimensions are the social environment and the technological environment.

Quick Tip to Solve: Link festival traditions to the social environment and billing, digital payments and online ordering to technology.

24(a). Distinguish between 'Delegation' and 'Decentralisation' of the basis of the following :

(i) Nature

(ii) Freedom of action

(iii) Status [3 marks]

Solution:

Concept:

- Organising: delegation is the transfer of authority from a superior to a subordinate to perform assigned duties.
- Organising: decentralisation is the systematic delegation of authority throughout the organisation, extending decision-making to lower levels.

Step 1: Set the comparison in context Delegation concerns a superior-subordinate relationship: a manager assigns work and gives the authority needed to perform it, while remaining accountable for the final result. Decentralisation extends this distribution of authority throughout an organisation. The distinctions on the three specified bases are as follows.

Step 2: Distinguish on the prescribed bases

Basis	Delegation	Decentralisation
Nature	It is a compulsory act because no individual can perform all tasks on his or her own.	It is an optional policy decision of top management concerning the extent of authority distributed to lower levels.
Freedom of action	Subordinates have less freedom of action, as the superior exercises more control over their activities.	Lower levels have greater freedom of action, as less control is exercised by the superior.
Status	It is a process followed to share tasks and the authority needed to carry them out.	It is the result of a policy decision by top management to distribute authority across levels.

Step 3: Conclusion Delegation is a compulsory process with comparatively less freedom of action; decentralisation results from an optional policy decision and gives greater freedom to lower levels.

Quick Tip to Solve: Keep nature separate from status: compulsory versus optional describes nature; process versus policy result describes status.

OR

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

(i) Origin

(ii) Nature

(iii) Meaning [3 marks]

Solution:

Concept:

- Organising: formal organisation is the structure of authority and responsibility deliberately designed by management.
- Organising: informal organisation is the network of social relationships that arises spontaneously through interaction among employees.

Step 1: Explain the setting of the comparison An enterprise has a prescribed structure for coordinating work and assigning responsibility. Employees also interact socially while working together, creating relationships beyond the prescribed structure. Formal and informal organisation can therefore coexist in the same enterprise. The required distinctions are based on how each originates, the nature of its relationships, and its meaning.

Step 2: Distinguish on the prescribed bases

Basis	Formal organisation	Informal organisation
Origin	It arises as a result of the rules and policies deliberately established by management.	It arises spontaneously through social interaction among employees at work.
Nature	It has a rigid structure, with prescribed roles and relationships that employees are expected to follow.	It has a flexible structure; relationships develop and change according to personal interaction and shared interests.
Meaning	It is a structure of authority relationships created by management to achieve organisational objectives.	It is a network of social relationships arising out of interaction among employees.

Step 3: Conclusion Formal organisation is a deliberately created, rigid authority structure; informal organisation is a spontaneous, flexible network of social relationships.

Quick Tip to Solve: For origin ask who creates it; for nature compare rigidity and flexibility; for meaning compare authority and social relationships.

25(a). Explain the following features of marketing :

(i) Needs and wants

(ii) Exchange mechanism [4 marks]

Solution:

Concept:

- Marketing Management: Marketing begins by identifying customers' needs and wants and aims to satisfy them through a market offering.
- Marketing Management: Exchange is the mechanism through which parties obtain what they need by offering something of value in return.

Step 1: (i) Needs and wants

- **Starting point of marketing:** Needs and wants of individuals and organisations provide the basis for marketing. A need is a state of felt deprivation, such as the need for food, clothing or shelter. Marketers identify such needs and develop suitable goods or services to satisfy them.
- **Specific form of a need:** A want is the particular form in which a person chooses to satisfy a need, shaped by culture, personality and preferences. For example, hunger is a need, while wanting a particular food is a want. Successful marketing understands the customer's specific wants and offers a product that meets them; it does not merely concentrate on selling what the producer has made.

Step 2: (ii) Exchange mechanism

- **Obtaining value through exchange:** Marketing involves exchange of goods or services between buyers and sellers. The buyer obtains a product that satisfies a need or want, while the seller receives money or another consideration in return. Thus, exchange links the offering of the marketer with the satisfaction sought by the customer.
- **Conditions for exchange:** There must be at least two parties, each having something of value to offer the other. Each must be able to communicate and deliver the offering, and be free to accept or reject it. Both must consider dealing with the other desirable. Exchange must be voluntary, allowing each party to seek satisfaction from the transaction.

Step 3: Conclusion Needs and wants give marketing its customer focus, while exchange provides the process through which customers and marketers obtain value from one another.

Quick Tip to Solve: Use hunger and a particular food to distinguish need from want, then state both what the buyer receives and what the seller receives in exchange.

OR

25(b). Explain the following functions of marketing :

(i) Gathering and analysing market information

(ii) Customer support services [4 marks]

Solution:

Concept:

- Marketing Management: Gathering and analysing market information helps identify customers' needs, opportunities and threats and supports marketing decisions.
- Marketing Management: Customer support services help customers use the product and maintain their satisfaction with the organisation.

Step 1: (i) Gathering and analysing market information

- **Collecting relevant information:** A marketer systematically gathers information about customers' needs and preferences, buying habits, competitors and changes in the business environment. This helps identify market opportunities as well as threats. For example, studying the preference for convenient food can reveal an opportunity for suitable ready-to-eat products.
- **Analysing information for decisions:** The collected information is analysed to understand what customers want, who will buy, where and when they buy, and at what price. The findings guide decisions about the product, price, distribution and promotion. Thus, marketing decisions are based on knowledge of the market rather than only the producer's assumptions, and the firm can adapt its offering to changing demand.

Step 2: (ii) Customer support services

- **Providing assistance:** Marketing includes services such as after-sales service, handling customer complaints and adjustments, credit facilities, maintenance, technical services and consumer information. These help customers select, use and maintain the product and resolve difficulties arising from its purchase or use. For example, installation guidance and repair support help a buyer use an appliance satisfactorily.
- **Maintaining satisfaction:** Support services aim to provide maximum satisfaction to customers and are important for the success of marketing. Prompt assistance and fair complaint handling build confidence in the firm and its products. Satisfied customers are more likely to buy again and recommend the product, thereby helping the firm develop lasting customer relationships.

Step 3: Conclusion Market information guides the firm's marketing decisions, while customer support services help satisfy customers and sustain their relationship with the firm.

Quick Tip to Solve: For market information, explain both collection and analysis; for customer support, give service examples and link them to customer satisfaction.

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

(i) Choice of technique

(ii) Growth prospects [4 marks]

Solution:

Concept:

- Financial Management: fixed capital requirements are the funds invested in long-term assets such as land, buildings, plant and machinery.
- The choice of production technique and the company's expected growth influence the amount of investment needed in these assets.

Step 1: Choice of technique **Capital-intensive technique:** A company using a capital-intensive production technique requires a larger investment in plant and machinery. It therefore needs more fixed capital. For example, extensive automation requires expensive equipment that will be used over several years.

Labour-intensive technique: A company using a labour-intensive technique relies relatively more on workers and less on machinery. Its investment in plant and machinery is lower, so its fixed capital requirement is relatively smaller. Thus, for comparable production, a greater reliance on machinery generally raises the fixed capital requirement.

Step 2: Growth prospects **Higher growth prospects:** A company expecting rapid growth needs a greater investment in fixed assets to meet the anticipated increase in demand. It may need to expand its factory, buy additional machines or install more production capacity. Consequently, its fixed capital requirement is higher.

Limited growth prospects: A company expecting little expansion generally needs a smaller additional investment in fixed assets, and hence less fixed capital. The financial manager must consider future growth while planning fixed capital, because existing capacity may be insufficient for the expected volume of business.

Step 3: Conclusion A capital-intensive technique increases fixed capital requirements compared with a labour-intensive technique. Similarly, better growth prospects increase the investment needed in fixed assets and therefore raise fixed capital requirements.

Quick Tip to Solve: Link each factor to investment in long-term assets: more machinery or more future capacity means more fixed capital.

OR

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

(i) Interest coverage ratio

(ii) Cost of debt [4 marks]

Solution:

Concept:

- Financial Management: capital structure is the mix of debt and equity used to finance a company's operations and investments.
- Interest coverage ratio indicates the ability to meet interest obligations, while the cost of debt affects the attractiveness of borrowing as a source of finance.

Step 1: Interest coverage ratio **Meaning:** Interest coverage ratio measures the number of times a company's earnings before interest and tax cover its interest obligation. It indicates the margin of safety available for paying interest on debt.

Effect on capital structure: A higher ratio indicates a lower risk of failing to meet interest payments. Therefore, a company with a higher interest coverage ratio can generally employ more debt in its capital structure. A low ratio indicates a smaller safety margin and restricts its capacity to borrow. However, this ratio alone does not guarantee repayment of the principal; the company must also consider its cash flows and other debt-servicing obligations before increasing debt.

Step 2: Cost of debt **Borrowing cost:** The rate of interest payable on debt is an important consideration in choosing the financing mix. If a company can borrow at a lower rate, debt becomes a relatively more attractive source of finance, encouraging greater use of debt in its capital structure. A higher borrowing cost makes debt less attractive.

Effect of existing debt: As the company uses more debt, the financial risk borne by lenders increases. They may demand a higher interest rate on further loans. Thus, the cost of debt may rise with additional borrowing and limit the extent to which the company can continue to use debt. The company should consider the cost of the proposed borrowing when deciding its financing mix.

Step 3: Conclusion A higher interest coverage ratio generally supports greater use of debt because interest payments have a larger earnings cushion. A lower cost of debt also favours borrowing, while an increase in that cost makes further debt less attractive.

Quick Tip to Solve: Separate ability from price: interest coverage shows the safety of interest payment, whereas cost of debt shows how expensive borrowing is.

27. 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 requires a broker to issue a contract note after executing a transaction.
- A contract note records the transaction and provides legally enforceable evidence of the agreement between the client and broker.

Step 1: (i) Identify the note The note is a **contract note**. The clue is that the broker sent it "within 24 hours" after execution of the trade. It is issued after the trade confirmation slip and records the completed transaction between Chitra and her broker.

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

- **Number of shares bought or sold:** It records the quantity traded; here, 100 shares of XYZ Ltd. were bought.
- **Price of the shares:** It states the executed price; in Chitra's transaction, Rs 500 per share.
- **Date and time of the deal:** It records when the transaction took place, establishing the execution particulars.
- **Brokerage charges:** It states the broker's charges for executing the transaction. No numerical brokerage amount is specified in this case.

Step 3: (iii) Explain its importance A contract note is an important document because it contains the terms on which the transaction took place and is **legally enforceable**. It can be used as evidence if a dispute arises between Chitra and the broker, and it helps settle claims through the stock exchange's arbitration machinery. Thus, it protects the investor by providing an authenticated record of the executed deal.

Step 4: Conclusion The broker issued a contract note recording the quantity, price, date and time of the deal, and brokerage charges. It is legally enforceable evidence of the transaction and assists in settling disputes.

Quick Tip to Solve: Link "within 24 hours after execution" to the contract note; list quantity, price, date/time and brokerage separately.

28. 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 an employee to receive orders from only one superior and be accountable to that superior.
- Stability of personnel requires employees to receive reasonable tenure in a position so they can learn their work and contribute effectively.

Step 1: Identify and explain the first violated principle

- **Unity of command:** Each employee should receive orders from one superior only and be responsible to that superior. This establishes a clear reporting relationship and prevents conflicting instructions, confusion and divided responsibility.
- **Evidence from the case:** Employees "had to report to both the Project Manager and the Technical Head". The Project Manager emphasised strict deadlines while the Technical Head insisted on detailed procedures and careful checking. The employees were therefore "confused about whose instructions to follow". Receiving orders from two bosses violates unity of command and explains the decline in performance.

Step 2: Identify and explain the second violated principle

- **Stability of personnel:** Employees should be selected after a rigorous process and then retained in their posts for a reasonable minimum period. They need time to become familiar with their work, learn required skills and show results. Frequent changes in personnel or positions create insecurity and reduce efficiency.
- **Evidence from the case:** Employees were "frequently changed or removed from their job positions" and "not given sufficient time to show their results". This denies them reasonable tenure and violates stability of personnel. The resulting insecurity adversely affects work quality and the company's image, as described in the case.

Step 3: Conclusion Zenne Solutions violated unity of command through dual reporting and stability of personnel through frequent changes or removal of employees from their positions.

Quick Tip to Solve: Two bosses indicate unity of command; insufficient time in a job indicates stability of personnel.

29. 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: investment decisions allocate a firm's funds among investment proposals to earn returns and increase the value of the business.
- Long-term investment decisions, also called capital budgeting decisions, involve substantial funds, affect future profitability and are often difficult to reverse.

Step 1: (i) Identify the financial decision Arjun must take a **long-term investment decision or capital budgeting decision**. He has to choose between opening a new retail store and launching an e-commerce platform. The case says that both require a "huge amount of investment" and that it would be "almost impossible for him to wriggle out" once the decision is made. These features identify capital budgeting: funds are committed to projects whose consequences extend over a long period. The question concerns the use of funds, rather than the choice of sources from which funds are raised.

Step 2: (ii) Explain three factors affecting this decision

- **Cash flows of the project:** Each investment proposal involves a series of cash receipts and cash payments over its life. Arjun must carefully analyse the amount and timing of the expected cash inflows and outflows of the new store and the online platform. This helps assess whether each project can generate sufficient cash to justify the investment.
- **Rate of return:** The expected return from each proposal must be assessed along with its risk. Arjun should compare the returns that the two options are expected to earn. Other things being equal, the proposal offering a higher rate of return is preferred, provided that the return adequately compensates for its risk.
- **Investment criteria involved:** Capital budgeting techniques evaluate proposals using the investment required, expected cash flows, interest rate and other relevant considerations. Arjun should apply appropriate investment appraisal criteria to compare the two projects and select the proposal that best meets the firm's financial objectives.

Step 3: Conclusion Arjun's choice is a capital budgeting decision. The three relevant factors are cash flows of the project, rate of return and investment criteria involved.

Quick Tip to Solve: A large, difficult-to-reverse commitment to a new project signals capital budgeting; use the three NCERT factors to explain its evaluation.

30. 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 psychological, social and emotional needs rather than by directly offering monetary rewards.
- Job enrichment, employee recognition, status and career advancement opportunities can satisfy an employee's esteem and growth needs.

Step 1: Identify and explain the first two incentives

- **Job enrichment:** This means designing jobs with greater variety of work content, requiring a higher level of knowledge and skill, and providing a more meaningful and challenging experience. Sakshi's job was redesigned to make it "more interesting" and included "a greater variety of work content, requiring higher level of knowledge and skill". The enriched work gives her an opportunity to use her abilities and experience personal satisfaction from her work.
- **Employee recognition programmes:** Recognition means acknowledging and appreciating an employee's contribution and good performance. Such appreciation fulfils the need for recognition and encourages continued high performance. Sakshi's "name was also displayed on the notice-board of the company, highlighting her achievements". Public acknowledgement of her achievements makes her feel valued by the organisation.

Step 2: Identify and explain two further incentives

- **Status:** Status refers to an employee's ranking in the organisation. The authority, responsibility, rewards, recognition and prestige associated with a position can satisfy esteem needs and motivate employees. Sakshi was given the "status of a 'Technical Head' for a major upcoming project", carrying "more authority, responsibility, autonomy and powers". This higher organisational standing strengthens her sense of importance and achievement.
- **Career advancement opportunity:** Employees are motivated when they can develop their abilities

and progress to higher positions. Managers can provide skill development and opportunities for promotion to encourage employees to improve performance. The company offered Sakshi "training in advanced tools and technologies" so that she could be "promoted to higher level jobs in the future". This creates confidence in her future growth within Bolera Ltd.

Step 3: Conclusion Four non-financial incentives provided to Sakshi are job enrichment, employee recognition programmes, status and career advancement opportunity.

Quick Tip to Solve: Match each incentive to a distinct clue: varied work, public praise, a higher title and training for future promotion.

31. 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: the rights to be informed, to choose and to seek redressal protect consumers when purchasing and using goods.
- Consumer responsibilities include becoming informed about available products and making a careful purchase suited to individual needs.

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, price and other relevant particulars, so as to make an informed purchase. The case states that the salesperson "informed her about the various options available"; the refrigerators had different capacities, features and prices.

Right to choose: A consumer has the right to choose from a variety of products at competitive prices. Shubha "compared them on the basis of quality, brand, size and price" and selected the refrigerator that suited her family's needs and budget. Thus, the availability of alternatives allowed her to exercise free choice.

Right to seek redressal: A consumer has the right to obtain relief against unfair trade practices,

restrictive trade practices or unscrupulous exploitation. Shubha "decided to file a complaint" after receiving a defective refrigerator and no response from the manufacturer. The court's replacement or refund order, together with compensation, illustrates this right.

Step 2: (ii) Identify the appropriate consumer commission **District Consumer Disputes Redressal Commission (District Commission):** Shubha approached the District Commission because the consideration paid for the refrigerator was only Rs 96,000, which falls within its pecuniary jurisdiction. The relevant amount is the price paid for the goods; this is a district-level consumer dispute.

Step 3: (iii) State one consumer responsibility fulfilled **Be aware of available goods and services:** Shubha fulfilled the responsibility of becoming informed about the products available in the market so as to make an intelligent and wise choice. She compared quality, brand, size and price before selecting a refrigerator that matched her family's needs and budget.

Step 4: (iv) State two reliefs granted **Replacement of the defective goods:** The court ordered the company to replace the defective refrigerator with a new refrigerator.

Refund of the price paid: Alternatively, the court ordered refund of the Rs 96,000 paid by Shubha. The case also expressly states that compensation for the inconvenience was awarded along with the relief. Replacement and refund are alternatives; Shubha is not entitled to retain both a new refrigerator and the refunded price.

Step 5: Conclusion The three rights are the right to be informed, the right to choose and the right to seek redressal. The District Commission handles this complaint; Shubha made an informed purchase and obtained an order for replacement or refund, along with compensation.

Quick Tip to Solve: Link information to being informed, comparison to choice, and the court remedy to redressal; use the purchase price to identify the commission.

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32. '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: comparing actual performance with predetermined standards, identifying deviations and taking corrective action to achieve organisational objectives.

- The controlling process consists of setting standards, measuring actual performance, comparing performance with standards, analysing deviations and taking corrective action.

Step 1: (i) Identify the management function **Controlling:** The function highlighted is controlling. It ensures that activities are performed according to plans and that organisational resources are used effectively to achieve predetermined goals. The company is monitoring production and checking quality in relation to standards already established.

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 measurable as far as possible, and may be quantitative or qualitative. The case states that the company "had laid down clear quality standards for each of its products". These standards establish the quality that each spice mix or curry powder must meet.

Measurement of actual performance: Actual performance is measured objectively and reliably, using suitable techniques such as personal observation, sample checking and performance reports. Measurement should occur at appropriate intervals. The company "initiated sample checking" and conducted quality checks on "nearly 500 packets every week". These inspections measure the actual quality of output. The decision to investigate the problem is stated, but the results of comparison, diagnosis and corrective action are not yet supplied.

Step 3: (iii) Compare actual performance with standards **Comparing actual performance with standards:** The measured results must be compared with the predetermined standards to identify deviations. Spice and Taste Ltd. should compare the quality found in its weekly packet samples with the quality standards laid down for each product. This will reveal whether actual output meets the required quality and the extent of any shortfall.

Step 4: (iii) Analyse the deviations **Analysing deviations:** Management must determine the causes of significant deviations and identify the areas requiring attention. Critical point control focuses on key result areas, while management by exception brings major deviations to management's attention. The company should investigate why quality has fallen. Possible factors to examine include raw materials, production equipment and work methods; these are matters for investigation, not established facts in the case.

Step 5: (iii) Take corrective action **Taking corrective action:** Where deviations exceed acceptable limits, management must remove their causes and prevent recurrence. The action must follow the diagnosis: for example, if a machine fault is established, repair it; if inadequate employee skills are established, provide training. The company should then monitor whether quality again meets the standards. Standards may be revised if objectively found unrealistic, but should not simply be lowered to conceal poor performance.

Step 6: Conclusion The function is controlling. Setting quality standards and measuring actual quality are discussed in the case. Comparing results with standards, analysing deviations and taking corrective action complete the process.

Quick Tip to Solve: Remember the sequence: set, measure, compare, analyse, correct; sample checking is measurement, while finding the cause belongs to analysis.

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

(i) Coordination ensures unity of action

(ii) Coordination is the responsibility of all managers

(iii) Coordination is a deliberate function [6 marks]

Solution:

Concept:

- Coordination is the process by which a manager synchronises the activities of different departments to bring unity of action towards organisational objectives.
- In NCERT's Nature and Significance of Management, coordination is described as the essence of management. It binds the efforts of individuals and groups so that their contributions support a common purpose.

Step 1: (i) Coordination ensures unity of action **Common purpose:** Coordination secures unity of action in the realisation of a common purpose. People and departments perform different activities, but these activities must contribute to the same organisational objectives. Coordination acts as the binding force between departments and ensures that their separate actions fit together.

Linking interdependent activities: For example, production must manufacture the quantity that the sales department expects to sell, while finance must arrange the funds needed for production. Synchronising these efforts prevents conflicting actions and ensures that the organisation functions as an integrated whole.

Step 2: (ii) Coordination is the responsibility of all managers **At every level:** Coordination is required from top management to operational management because activities at every level are interdependent. It cannot be treated as the responsibility of one specialist or a separate department alone.

Responsibilities at different levels: Top managers coordinate with departmental heads to ensure implementation of overall policies. Middle managers coordinate with lower-level managers so that departmental plans are carried out. Operational managers coordinate the activities of workers to ensure that work proceeds according to plans. Each manager therefore integrates the efforts within their area and links them with the work of others.

Step 3: (iii) Coordination is a deliberate function **Conscious managerial effort:** Coordination does not arise automatically merely because employees are willing to cooperate. Managers consciously coordinate the efforts of different people and groups by defining responsibilities, arranging activities and maintaining communication.

Balancing cooperation and coordination: Even when members cooperate, their efforts need direction and timing to become effective. Conversely, coordination without a willingness to cooperate may create dissatisfaction. A manager must therefore deliberately bring both together so that individual contributions lead to the desired common results.

Step 4: Conclusion Coordination unifies separate activities, is performed by managers at every level and requires deliberate effort to harmonise individual and group contributions towards common objectives.

Quick Tip to Solve: For these three features, link unity to common purpose, responsibility to all management levels, and deliberateness to conscious effort even when people cooperate.

OR

33(b). Explain the following points of importance of management :

(i) Management helps in achieving personal objectives

(ii) Management helps in the development of society

(iii) Management creates a dynamic organisation [6 marks]

Solution:

Concept:

- The NCERT chapter Nature and Significance of Management explains how management contributes to employees' welfare, social development and the organisation's adjustment to change.
- Management coordinates people's efforts towards common objectives. Its importance extends beyond organisational results because it also influences individual satisfaction and the welfare of society.

Step 1: (i) Management helps in achieving personal objectives **Integrating personal and organisational needs:** Every employee joins an organisation with personal objectives, such as adequate remuneration, recognition, security and career growth. Through motivation and leadership, management helps individuals achieve these objectives while contributing to organisational objectives.

Meeting employees' needs: For example, competitive salaries help satisfy financial needs, while opportunities for advancement, recognition and greater responsibility meet higher-level needs. Management creates conditions in which an employee's personal progress is linked to the organisation's success. This helps maintain commitment and cooperation within the organisation.

Step 2: (ii) Management helps in the development of society **Serving stakeholders:** An organisation has multiple objectives and must fulfil its obligations towards different groups, including its owners, employees, consumers and the community. Efficient management helps it meet these obligations and contributes to social development.

Using resources for social benefit: Management helps provide good-quality goods and services, creates employment opportunities and supports the adoption of new technology for the greater good. By directing resources towards useful production and meeting society's changing needs, it contributes to economic growth and improved living conditions. Its responsibility therefore extends beyond earning profits alone.

Step 3: (iii) Management creates a dynamic organisation **Adjusting to a changing environment:** Organisations operate in an environment that changes continuously. Changes in technology, competition or customer preferences require changes in the organisation's methods and practices. Management enables the organisation to adapt so that it can survive and grow.

Overcoming resistance: People often resist change because it involves moving from a familiar and secure environment to a new situation. Management helps employees understand the need for change, adjust to it and recognise that it serves their interests as well as those of the organisation. This makes coordinated adaptation possible and keeps the organisation responsive to its environment.

Step 4: Conclusion Management helps individuals satisfy their needs, contributes to society's development and enables the organisation and its members to adjust to environmental changes.

Quick Tip to Solve: Keep the three explanations distinct: employee needs for personal objectives, stakeholder welfare for society, and adaptation with reduced resistance for a dynamic organisation.

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

(i) Estimating Manpower Requirements

(ii) Performance Appraisal

(iii) Compensation [6 marks]

Solution:

Concept:

- Staffing: the staffing process places the right number and kind of people in suitable jobs and develops and rewards them.
- Estimating manpower requirements, performance appraisal and compensation deal respectively with staffing needs, assessment of performance and employee remuneration.

Step 1: Estimating Manpower Requirements

- **Determining staffing needs:** The manager estimates the number of employees required and the qualifications and skills they must possess. This depends on the organisation's activities, workload and the jobs to be performed, so the estimate covers both the quantity and quality of personnel.
- **Workload and workforce analysis:** Workload analysis assesses the number and types of human resources necessary for various jobs. Workforce analysis examines the number and types of personnel already available. Comparing these reveals overstaffing, understaffing or a shortage of particular skills and guides recruitment, redeployment or other staffing action.

Step 2: Performance Appraisal

- **Evaluating performance:** Performance appraisal means evaluating an employee's current or past performance against predetermined standards. The duties and expected performance of the job must first be made clear so that evaluation has an objective basis.
- **Appraisal and feedback:** The employee's actual work performance is assessed against those standards, and feedback is provided. This helps the employee understand strengths and shortcomings and indicates areas where training or improvement is needed. Appraisal also supplies information for personnel decisions such as promotion and rewards.

Step 3: Compensation

- **Determining pay and rewards:** Compensation refers to all forms of pay or rewards given to employees in exchange for their services. It includes direct financial payments such as wages, salaries, incentives, commissions and bonuses, and indirect payments such as employer-paid insurance and vacations.
- **Fair and suitable remuneration:** Management establishes an appropriate wage and salary structure for different jobs. Pay may be based on time worked, performance, or a combination of the two. Fair remuneration, taking account of the job's worth and relevant requirements, helps attract, retain and motivate competent employees.

Step 4: Conclusion Thus, manpower estimation identifies personnel requirements, appraisal assesses employees against standards, and compensation determines the rewards for their services.

Quick Tip to Solve: Keep the three purposes distinct: estimate staffing needs, evaluate performance, and decide remuneration.

OR

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

(i) Casual Callers

(ii) Employment Exchange

(iii) Advertisement [6 marks]

Solution:

Concept:

- Staffing: external sources of recruitment attract candidates from outside the organisation.
- Casual callers, employment exchanges and advertisements differ in how prospective applicants and the employer establish contact.

Step 1: Casual Callers

- **Unsolicited applications:** Many reputed business organisations maintain a database of applications received from people who approach them on their own initiative, even when no vacancy has been advertised. These applicants are known as casual callers.
- **Using the waiting list:** The organisation can screen these applications and prepare a list of suitable candidates. When a vacancy arises, it can call suitable people from this database. This provides a readily available source of applicants and can reduce the cost of recruitment. The list should be kept current so that the organisation can contact candidates whose qualifications match its needs.

Step 2: Employment Exchange

- **Matching registered candidates and vacancies:** Government employment exchanges maintain records of persons seeking employment. They bring together job seekers and employers by supplying information about suitable registered candidates in response to vacancies notified by employers.
- **Usefulness and limitation:** This source is particularly useful for recruiting unskilled and skilled operative workers. It helps employers locate candidates and helps unemployed persons find work. However, exchange records may not always be up to date, and candidates recommended by an exchange still need to be assessed by the employer for their suitability for the particular job.

Step 3: Advertisement

- **Publicising the vacancy:** An organisation advertises vacancies through newspapers or relevant trade and professional journals. The advertisement describes the job, qualifications and experience required, remuneration where appropriate, and the procedure for applying. It enables interested persons to judge their suitability and submit applications.
- **Wide choice of applicants:** Advertisements reach a wide geographical area and give the organisation a larger choice of candidates. This source is commonly used when a wider choice is required, especially for senior positions. The medium must suit the kind of candidate sought; for example, a professional journal can reach people with specialised qualifications. Advertising involves cost and may attract many unsuitable applications that require screening.

Step 4: Conclusion Casual callers provide a database of unsolicited applicants, employment exchanges link registered job seekers with employers, and advertisements invite applications from a wide audience.

Quick Tip to Solve: Identify who initiates contact: the casual applicant, the employment exchange, or the employer through a public advertisement.