CBSE Class 12 Business Studies Question Paper 2026 with Solution PDF-Set 66/7/3 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

1. 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.
- Logical and systematic thinking is central to planning rather than guesswork.

Step 1: Identify the decisive evidence Shweta used 'foresight and intelligent imagination' and 'logical and systematic thinking'. These expressions directly identify the intellectual activity involved in planning: she thought through customers, products and resources before acting.

Step 2: Compare the alternatives Option (A) stresses the future orientation of plans, which is present but does not capture the repeated emphasis on thinking. Option (B) concerns choosing among alternatives, whereas no competing alternatives are described. Option (C) concerns directing efforts towards objectives; that is not the emphasis of the case. Option (D) matches the mental process described.

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

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

2. 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 future financial requirements and the availability of funds.
- Forecasting alternative business situations helps an enterprise prepare appropriate financial arrangements.

Step 1: Judge Assertion (A) Assertion (A) is true. Financial planning makes the firm better prepared for the future by anticipating its fund requirements and considering arrangements to meet them.

Step 2: Judge Reason (R) Reason (R) is true. Financial planning forecasts what may happen under different business situations, allowing the firm to consider its financial needs in advance.

Step 3: Check the explanatory link Forecasting future situations is precisely how financial planning improves preparedness. Therefore R correctly explains A. Option (A) wrongly treats R as false; (B) wrongly treats A as false; and (C) wrongly treats both as false.

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

Quick Tip to Solve: Link financial preparedness to forecasting future situations before selecting the assertion-reason option.

3. 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 A and R are true, but R is not the correct explanation of A; no printed option is correct.

Solution:

Concept:

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

Step 1: Judge Assertion (A) Assertion (A) is true. Transportation moves goods from the production point to the place where customers require them and is a major element of physical distribution.

Step 2: Judge Reason (R) Reason (R) is also true. Production and consumption may occur at different times. This time gap creates a need to store goods through warehousing.

Step 3: Check the link and every alternative R explains the need for warehousing, not why transportation is an element of physical distribution. Thus both statements are true, but R does not correctly explain A. Option (A) incorrectly calls R false; (B) incorrectly calls A false; (C) incorrectly calls both false; and (D) incorrectly asserts the explanatory relationship. None of the printed alternatives expresses the correct judgement.

Step 4: Conclusion Both A and R are true, but R is not the correct explanation of A. No printed option is defensible.

Quick Tip to Solve: Distinguish the place gap, addressed by transportation, from the time gap, addressed by warehousing.

4. Identify the level of packaging that refers to further packaging components necessary for storage, identification or transportation : [1 mark]

(A) Primary packaging

(B) Secondary packaging

(C) General packaging

(D) Transportation packaging

Correct Answer: (D) Transportation packaging

Solution:

Concept:

- Primary packaging is the immediate container of a product.
- Transportation packaging comprises further packaging needed for storage, identification or transportation.

Step 1: Match the definition The question specifies 'further packaging components necessary for storage, identification or transportation'. This is the NCERT description of transportation packaging, such as outer cartons used to move several product units safely.

Step 2: Eliminate the other options Option (A), primary packaging, refers to the immediate container, such as a tube holding toothpaste. Option (B), secondary packaging, adds protection to the primary package, such as its cardboard box. Option (C), general packaging, is not the named level in this classification. Option (D) alone matches the stated purpose.

Step 3: Conclusion The level is transportation packaging. Hence, the correct option is (D).

Quick Tip to Solve: Use the words storage, identification and transportation to recognise transportation packaging.

5. 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:

- Dematerialisation converts physical securities certificates into electronic holdings.
- A depository holds securities electronically; rematerialisation converts electronic holdings back

into physical certificates.

Step 1: Identify the direction of conversion Kavita had 'physical share certificates' and got the shares 'converted into an electronic form'. This direction of conversion is called dematerialisation; it makes the holdings easier to manage and transact electronically.

Step 2: Distinguish the alternatives Option (A) names this conversion correctly. Option (B), materialisation, is not the technical term for converting physical certificates to electronic holdings. Option (C), depository, denotes the institution holding securities electronically, not the conversion process. Option (D), rematerialisation, describes the reverse conversion to physical certificates.

Step 3: Conclusion The process is dematerialisation. Hence, the correct option is (A).

Quick Tip to Solve: Track the direction: physical to electronic is dematerialisation; electronic to physical is rematerialisation.

6. 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:

- Encoding converts an intended message into symbols such as words, pictures or gestures.
- Decoding is the receiver's interpretation of those symbols; feedback is the receiver's response.

Step 1: Identify the sender's activity The question describes converting a message into communication symbols. The sender first gives the intended idea a communicable form by selecting words, pictures or gestures. This activity is encoding.

Step 2: Check the alternatives Option (C) is therefore correct. Option (A), feedback, is the response returned by the receiver after receiving the message. Option (B), media, denotes the channel through which the encoded message travels. Option (D), decoding, is the receiver interpreting the symbols to understand the message, rather than creating the symbols.

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

Quick Tip to Solve: Remember that the sender encodes an idea, while the receiver decodes the received symbols.

7. 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:

- Democratic leadership involves consultation with subordinates in decisions and action plans.
- Laissez-faire leadership gives subordinates substantial freedom; autocratic leadership centralises decisions and commands.

Step 1: Judge Statement I Statement I is false. Developing plans and making decisions 'in consultation with his subordinates' describes democratic or participative leadership. Under laissez-faire leadership, the leader gives subordinates considerable freedom to decide how to carry out their work.

Step 2: Judge Statement II and compare options Statement II is true. In autocratic leadership, the manager gives orders and expects subordinates to follow them; communication is predominantly one-way. Hence (A) fails because Statement I is false; (B) fails because Statement II is true; and (C) reverses both judgements. Option (D) correctly pairs false I with true II.

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

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

8. 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/Belongingness needs, Safety/Security needs, Esteem needs, Self Actualisation needs

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

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

Solution:

Concept:

- Directing: Maslow's hierarchy of needs.
- Identify the NCERT concept from its defining features before comparing the printed options.

Step 1: Recall the hierarchy Maslow arranges needs from basic physiological needs to safety/security needs, affiliation/belongingness needs, esteem needs and finally self-actualisation needs. Physiological needs concern survival; security seeks protection, belongingness seeks acceptance, esteem seeks recognition, and self-actualisation seeks fulfilment of potential.

Step 2: Check each sequence Option (D) follows this order throughout. Option (A) incorrectly places esteem before belongingness. Option (B) puts esteem before both security and belongingness. Option (C) places belongingness before security, although security is the second level.

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

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

9. Read the following statements carefully :

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

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

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

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

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

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

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

Correct Answer: (D) Both Statement I and Statement II are false.

Solution:

Concept:

- Organising: formal and informal organisation.
- Identify the NCERT concept from its defining features before comparing the printed options.

Step 1: Judge Statement I Statement I is false. A formal organisation is deliberately designed by management to achieve organisational objectives. It is the informal organisation that emerges spontaneously through personal and social interaction among people in a formal organisation; the statement reverses this relationship.

Step 2: Judge Statement II and the options Statement II is also false. An established chain of command and defined reporting relationships characterise formal organisation. Informal communication follows personal relationships and can cross official levels; it does not maintain unity of command through an established chain. Thus (A) and (B), which each call one statement true, and (C), which calls both true, are incorrect.

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

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

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

(A) Top Level

(B) Middle Level

(C) Operational Level

(D) Both Top and Middle Level

Correct Answer: (B) Middle Level

Solution:

Concept:

- Nature and Significance of Management: middle-level management.
- Identify the NCERT concept from its defining features before comparing the printed options.

Step 1: Identify the departmental responsibilities Sudha works at the middle level of management. The case says that she ensures her department is "adequately staffed, assigns "duties and responsibilities and motivates her team to achieve objectives. These are the NCERT functions of middle management, which translates top management plans into departmental action.

Step 2: Distinguish the other levels Option (A) is incorrect because top management frames overall objectives, strategy and policy for the organisation. Option (C) is incorrect because operational management primarily supervises workers and oversees their day-to-day efforts. The combination in (D) is also incorrect: this case describes a departmental manager, without any role in overall top-level policy making.

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

Quick Tip to Solve: For level-of-management cases, match departmental staffing, assigning duties and motivating departmental personnel with middle management.

11. 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 in the planning process.
- Identify the NCERT concept from its defining features before comparing the printed options.

Step 1: Locate the action being tested Ravi is developing premises. Planning premises are assumptions about future conditions on which plans are based. The decisive words are "made certain assumptions about the future, including expected demand and price. Information on the market and competition provides the basis for these assumptions.

Step 2: Separate the other planning steps Option (A) would involve listing different possible ways to achieve the objective, rather than forecasting conditions. Option (C), setting objectives, is already illustrated by the target of a profit of 10% on sales; it is not the later action being asked about. Option (D) means putting the chosen plan into operation, which has not yet happened.

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

Quick Tip to Solve: Focus on the final action in a planning case: assumptions about expected future demand and price indicate developing premises.

12. 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 NCERT concept from its defining features before comparing the printed options.

Step 1: Identify the production emphasis The production concept assumes that customers favour products that are widely available and affordable. A firm therefore concentrates on increasing production efficiency and distribution, so that it can supply goods widely at a low cost. These are exactly the two success factors given in the question.

Step 2: Eliminate the other philosophies The marketing concept in (A) begins with the needs of a target market and customer satisfaction. The selling concept in (B) stresses aggressive selling and promotion. The product concept in (C) stresses quality, performance and product improvement. None identifies availability and affordability as its central pair of concerns.

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

Quick Tip to Solve: Use the key-word pair: availability plus affordability points to production; quality points to product; persuasion points to selling.

13. 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 the promotion mix.
- Identify the NCERT concept from its defining features before comparing the printed options.

Step 1: Match public relations and sales promotion Public relations protects or promotes the image of the company and its products, so 1 matches (ii). Sales promotion provides short-term incentives to encourage immediate purchase, so 2 matches (iv). Image-building and immediate buying incentives serve different purposes and cannot be interchanged.

Step 2: Match advertising and personal selling Advertising is paid, impersonal communication by an identified sponsor, so 3 matches (i). Personal selling uses an oral presentation in a conversation with prospective customers, so 4 matches (iii). Option (A) wrongly swaps the sales promotion and personal selling explanations. Option (B) interchanges public relations and advertising. Option (C) mismatches all four elements.

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 distinctive words first: image = public relations; incentives = sales promotion; paid impersonal = advertising; conversation = personal selling.

14. '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 NCERT concept from its defining features before comparing the printed options.

Step 1: Connect mental revolution to the principle The principle is harmony, not discord. Taylor urged management and workers to transform their attitudes and recognise their common interest in the prosperity of the organisation. The quoted phrase "complete mental revolution is the decisive clue: mutual understanding replaces conflict between the two sides.

Step 2: Distinguish the remaining principles Option (A), science, not rule of thumb, concerns scientifically determined methods rather than habitual methods. Option (C), cooperation, not individualism, stresses joint effort and workers' participation; mental revolution is specifically explained under

harmony, not discord. Option (D) stresses scientific selection, training and development of every worker to achieve greatest efficiency.

Step 3: Conclusion The principle referred to is harmony, not discord. Hence, the correct option is (B).

Quick Tip to Solve: Link Taylor's phrase "mental revolution directly with harmony, not discord, and a change in management-worker attitudes.

15. 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:

- Types of plans: strategy and objective: Planning distinguishes the ends to be achieved from the comprehensive plan used to achieve them.
- An objective states the desired future position; a strategy outlines direction, scope and the means for achieving objectives.

Step 1: Identify the incorrect description The question asks for the incorrect statement. Option (C), describing the desired future position management wishes to reach, defines an objective. It does not define a strategy. The objective is the end, whereas strategy gives a comprehensive course for accomplishing that end.

Step 2: Check the remaining alternatives Option (A) correctly states that strategy provides the broad contours of the business. Option (B) correctly links strategy to long-term direction and scope. Option (D) correctly describes strategy as a comprehensive plan for accomplishing organisational objectives. None of these three is the incorrect statement sought.

Step 3: Conclusion Option (C) is incorrect: the desired future position is an objective, not a strategy.

Quick Tip to Solve: For an incorrect-statement question, distinguish the desired end (objective) from the comprehensive course of action (strategy).

16. '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:

- Improving communication effectiveness: Directing: effective communication requires the receiver to understand the message in the intended sense.
- Feedback enables the sender to check understanding and correct misunderstandings.

Step 1: Evaluate the statement about feedback Option (B) is not a correct measure. Successful communication depends on proper feedback because a sender needs to know whether the receiver has understood and responded to the intended message. Denying that dependence undermines communication effectiveness.

Step 2: Check the valid measures Option (A) is valid because the message should suit the needs and understanding of the receiver. Option (C) is valid because consulting others before communicating helps secure suitable ideas and participation. Option (D) is valid because appropriate language, tone and content help prevent misunderstanding. These measures improve communication rather than weaken it.

Step 3: Conclusion The incorrect measure is option (B): success of communication is not dependent upon proper feedback.

Quick Tip to Solve: Treat feedback as the check on the receiver's understanding; a statement dismissing it cannot be an improvement measure.

17. 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 functions: transportation: Marketing Management: transportation physically moves products from one place to another.
- Transportation bridges the place gap between production and consumption, making goods available where customers require them.

Step 1: Read the visual clue The picture shows a vehicle bearing the words "DELIVERY VAN". A delivery van carries goods between places, so the marketing function illustrated is transportation. The decisive clue is movement and delivery of products rather than keeping them at a location.

Step 2: Eliminate the other functions Option (A), promotion, concerns informing and persuading customers; the pictured delivery vehicle does not depict such an activity. Option (B), packaging and labelling, concerns the container and information attached to products. Option (C), storage or warehousing, concerns holding products until they are needed. These do not describe the delivery function shown in the picture.

Step 3: Conclusion The function depicted is transportation, option (D).

Quick Tip to Solve: Match a delivery vehicle with movement and place utility; a warehouse would instead indicate storage and time utility.

Note: The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 17.

17 (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:

- Warehousing is the component of physical distribution that stores products between their production and their consumption.
- Storage creates time utility by making goods available when customers need them, even if production occurs earlier.

Step 1: Identify the gap described The question refers to a difference between 'the time a product is produced and the time it is required for consumption'. Goods must be stored during this interval. Warehousing meets this need by holding and protecting products until they are required, ensuring availability at the appropriate time.

Step 2: Examine all the alternatives Option (A), order processing, concerns receiving and executing customer orders. Option (B), transportation, moves goods between places and bridges a place gap. Option (C), warehousing, bridges the stated time gap through storage. Option (D), inventory control, determines the appropriate stock level to balance availability and costs; the need for storing goods across time identifies warehousing specifically.

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

Quick Tip to Solve: A gap in time between production and consumption points to warehousing; a gap in place points to transportation.

18. 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:

- Steps in the organising process: Organising: identification and division of work is the first step after plans have been determined.
- Work is broken into manageable activities to avoid duplication and distribute the burden among employees.

Step 1: Match the case with the organising step Ajit has "divided the work to be done into manageable activities" such as purchasing, food preparation, billing and cleaning. This directly identifies identification and division of work. The stated purpose, "to avoid duplication and to share the burden of work", supports the same step.

Step 2: Separate the later steps Option (A), departmentalisation, means grouping similar or related activities into departments. Option (B), assignment of duties, means allocating jobs to particular employees. Option (D), establishing authority and reporting relationships, determines who reports to whom. The case describes dividing the total work, rather than any of these later steps.

Step 3: Conclusion The step is identification and division of work, option (C).

Quick Tip to Solve: Use the action verb: dividing total work identifies the first organising step; grouping work would indicate departmentalisation.

19. 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:

- Capital structure: financial leverage: Financial Management: financial leverage refers to the proportion of debt in the overall capital of a business.
- Greater use of debt increases fixed payment obligations and financial risk, even though debt can lower the cost of funds.

Step 1: Apply the textbook meaning The case links increasing leverage with the "increased use of cheaper debt". This points to the share of debt in total capital, which is the NCERT meaning of financial leverage. Increasing that debt share increases leverage and exposes the firm to greater fixed interest and repayment commitments.

Step 2: Distinguish related financial ideas Option (A) describes financial risk: the possibility of failing to meet payment obligations. Option (B) concerns the investment decision, or allocation of funds among assets. Option (D) describes a possible favourable effect of debt on equity shareholders' earnings, associated with trading on equity; such an increase is not guaranteed. It is not the definition of financial leverage asked for here.

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

Quick Tip to Solve: Separate the definition from its consequences: debt proportion is leverage; inability to meet obligations is financial risk.

20. '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:

- Features: totality of external forces: Business Environment: the environment comprises the totality of forces outside a business that affect its functioning.
- Its aggregative nature means that external factors are considered collectively rather than as a single isolated force.

Step 1: Identify the decisive words The statement calls the environment the "sum total of all things external to business firms" and says it is "aggregative in nature". These words directly express totality of external forces: all outside factors together constitute the business environment.

Step 2: Distinguish the other features Option (A), specific and general forces, classifies external influences by how directly they affect firms. Option (B), inter-relatedness, stresses links among different environmental factors. Option (D), complexity, stresses the difficulty of understanding the many interacting factors. The statement instead emphasises their combined total, so these alternatives do not best match it.

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

Quick Tip to Solve: Underline "sum total" and "aggregative": both point directly to totality of external forces.

21. 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 is the systematic delegation of authority throughout all levels of management and in all departments, while major policy decisions remain with top management.
- Importance of decentralisation: relief to top management and development of managerial talent for the future.

Step 1: Identify and state the concept **Decentralisation:** Meera adopted decentralisation, indicated by the phrase "selective dispersal of authority in store operations. It means the systematic delegation of authority throughout the organisation, giving lower levels freedom to take decisions and act within defined limits. Top management retains authority over major policy decisions. Here, competent store employees are trusted to decide and accept responsibility for implementation.

Step 2: Explain relief to top management **Relief to top management:** Decentralisation reduces the need for direct supervision because subordinates can make decisions within their authority. This frees senior managers to concentrate on important policy matters. The case states that it gave "the top management more time to focus on important policy decisions, directly showing this benefit.

Step 3: Explain development of managerial talent **Develops managerial talent for the future:** Independent handling of assignments gives employees practical experience of decision-making and responsibility. It tests and develops their ability to deal with challenging situations and prepares them for higher positions. The statement that management could "develop a reservoir of qualified manpower for "more challenging positions identifies this benefit.

Step 4: Conclusion The concept is decentralisation. Its importance illustrated here includes relief to top management and development of managerial talent for the future.

Quick Tip to Solve: Match the two case clues separately: time for policy decisions means relief to top management; a reservoir of qualified manpower means development of managerial talent.

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

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

Solution:

Concept:

- Business Environment: the social environment includes traditions, customs, values, attitudes and social trends that influence business demand.
- The technological environment includes forces relating to scientific improvements and innovations that provide new ways of producing goods and services and new methods of operating business.

Step 1: Identify and explain the social environment **Social environment:** This dimension includes social forces such as customs, traditions, values, attitudes and lifestyles. These influence the products people buy and the occasions on which demand rises. The case refers to "traditions of distributing sweets and exchanging gift-packs during festivals in India. Such festival customs create demand for sweets and gift hampers; VTK Ltd. responds with festive packs and promotional offers. Thus, the cultural practice described is a social influence on its business.

Step 2: Identify and explain the technological environment **Technological environment:** This dimension includes developments and innovations that create new methods of production, distribution and business operations. A firm must adapt to these changes to meet customers' expectations and remain competitive. VTK Ltd. introduced "computer-based billing, digital payment facilities and an online system for home ordering. Computerised billing supports faster service, digital payments offer convenient payment methods, and online ordering makes purchase easier. These are applications of technology in conducting business, so they indicate the technological environment.

Step 3: Conclusion The two dimensions are the social environment, reflected in festival traditions, and the technological environment, reflected in computerised billing, digital payments and online ordering.

Quick Tip to Solve: Identify what causes the business change: customs and festivals point to the social dimension, while digital systems and computer applications point to the technological dimension.

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

(i) Planning provides directions

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

Solution:

Concept:

- Planning: deciding in advance what to do and how to do it, by setting objectives and choosing the course of action to attain them.
- Importance of planning: it provides directions by clarifying goals and facilitates decision-making by comparing alternative courses of action.

Step 1: Explain how planning provides directions **Planning provides directions:** Planning states in advance how work is to be done and establishes objectives that guide action. Employees understand what the organisation seeks to achieve and what they must contribute towards it. Clear goals guide the activities of departments and individuals in the same direction, enabling coordinated effort. If objectives and plans were not clear, employees would work at cross-purposes and the organisation would not move consistently towards its goals. Planning therefore gives a purposeful direction to managerial and employee action.

Step 2: Explain how planning facilitates decision-making **Planning facilitates decision-making:** Planning requires a manager to look ahead, make predictions about future conditions and evaluate alternative courses of action. The manager compares these alternatives in the light of the objectives, their likely benefits, limitations and available resources, and selects the most suitable course. The future course of action is therefore chosen after deliberate evaluation instead of being left to chance. By setting objectives and providing a basis for comparing alternatives, planning makes decisions more systematic and purposeful.

Step 3: Conclusion Planning provides directions through clear objectives and coordinated action. It facilitates decision-making through forecasting, evaluation of alternatives and selection of the best course of action.

Quick Tip to Solve: For directions, explain how clear goals guide employees; for decision-making, explain how planning compares alternatives before choosing the best course.

OR

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

(i) Policy

(ii) Procedure [3 marks]

Solution:

Concept:

- Planning: Policies and procedures are standing plans used to guide recurring decisions and activities.
- A policy gives general guidance for decision-making; a procedure specifies the sequence in which

an activity is to be carried out.

Step 1: Explain policy **Policy:** A policy is a general statement that guides thinking and channels efforts towards achieving organisational objectives. It defines the broad boundaries within which decisions may be made, leaving managers some scope to exercise judgement according to the situation. For example, a policy of filling vacancies from within the organisation guides recruitment decisions without prescribing every action to be taken. A policy thus helps ensure consistency in decisions made by different managers.

Step 2: Explain procedure **Procedure:** A procedure is a routine set of steps that specifies the chronological order in which an activity is to be performed. It details the exact manner in which work is carried out and is meant for insiders to follow. For example, a purchase procedure may require identifying the need, inviting quotations, comparing suppliers and then placing the order. Following the prescribed sequence makes recurring work systematic and reduces confusion about what should be done next.

Step 3: Conclusion A policy provides broad guidelines for decisions, whereas a procedure lays down the ordered steps for carrying out an activity.

Quick Tip to Solve: Remember policy as a general decision guideline and procedure as chronological steps; support each with a matching example.

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

(i) Responsibility

(ii) Cost

(iii) Coordination [3 marks]

Solution:

Concept:

- Organising: A functional structure groups jobs requiring similar functions; a divisional structure groups activities around different products.
- Compare the structures on the specified bases: responsibility, cost and coordination.

Step 1: Distinguish on responsibility and cost

Basis	Functional structure	Divisional structure
Responsibility	Responsibility for a particular product's overall performance is difficult to fix because several functional departments contribute to it.	Responsibility for a product's performance can be fixed on the divisional head, who controls the functions relating to that product.
Cost	It is economical because common functional facilities are used and unnecessary duplication of effort is avoided.	It is relatively costly because each division duplicates functional facilities and resources.

Step 2: Distinguish on coordination

Basis	Functional structure	Divisional structure
Coordination	Coordination for a product is difficult because its activities are spread across separate functional departments whose interests may differ.	Coordination within a division is easier because all functions concerning its product are integrated under one divisional head.

Step 3: Conclusion Functional structure offers economy through shared functions; divisional structure makes product responsibility clearer and coordination within each product division easier.

Quick Tip to Solve: For these three bases, link shared functions to lower cost and product divisions to clear responsibility and easier internal coordination.

OR

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

(i) Meaning

(ii) Scope

(iii) Purpose [3 marks]

Solution:

Concept:

- Organising: Delegation is the transfer of authority from a superior to a subordinate; decentralisation extends delegation systematically throughout the organisation.
- Delegation concerns individual superior-subordinate relationships, while decentralisation is an organisation-wide policy concerning the distribution of authority.

Step 1: Distinguish on meaning

Basis	Delegation	Decentralisation
Meaning	Entrusting responsibility and authority by a superior to a subordinate to carry out assigned work. The superior retains accountability for its performance.	Systematic delegation of authority throughout the organisation, at all levels and in all departments, while retaining necessary central authority.

Step 2: Distinguish on scope and purpose

Basis	Delegation	Decentralisation
Scope	It has a narrow scope, being limited to a superior and the immediate subordinate in a particular relationship.	It has a wide scope, involving the extension of delegation to the lowest levels of management across the organisation.
Purpose	It lessens the burden of the superior by sharing work with subordinates, allowing the superior to concentrate on other important tasks.	It increases the role of subordinates in decision-making by giving lower levels greater autonomy to take decisions.

Step 3: Conclusion Delegation shares a superiorś workload through authority given to subordinates; decentralisation spreads decision-making authority systematically across organisational levels.

Quick Tip to Solve: Keep the comparison at two scales: one superior-subordinate relationship for delegation and the whole organisation for decentralisation.

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

(i) Creating a market offering

(ii) Customer value [4 marks]

Solution:

Concept:

- Marketing Management: Creating a market offering and customer value are important features of marketing. Marketing seeks to satisfy customers through an offering that they consider worthwhile.
- A market offering combines a product or service with its features and associated benefits. Customer value concerns the benefits obtained in relation to the cost of obtaining them.

Step 1: (i) Creating a market offering **Meaning:** A market offering is a complete offer of a product or service, having certain features such as size, quality, taste and other characteristics, at a particular price and available at a given outlet or location. It also includes the benefits and facilities connected with the offer. Thus, marketing involves creating an overall offer for the customer, rather than merely producing a physical article.

Design around customer needs: A good market offering is developed after analysing the needs and preferences of potential buyers. The marketer selects an appropriate combination of features, price and availability so that the offering gives customers maximum value for their money. For example, the quality, pack size, price and availability of a product together form the offer that a buyer evaluates.

Step 2: (ii) Customer value **Meaning:** A buyer chooses a product or service when its perceived benefits are worthwhile in relation to the cost paid to obtain it. Buyers therefore evaluate the value that different available offerings provide. Benefits can include utility, quality, convenience and satisfaction, while obtaining them involves a cost to the buyer.

Role in marketing: Marketing facilitates exchange by creating and communicating value. The seller should offer greater value to the customer than competing offerings provide. Understanding what customers value helps the marketer develop a suitable product and supporting services, so that the customer is willing to exchange money for the offering and is satisfied with the purchase.

Step 3: Conclusion Creating a market offering assembles the product, its features, price and availability into a complete offer; customer value makes that offer attractive by relating its benefits to the cost borne by the buyer.

Quick Tip to Solve: For market offering explain the complete combination offered; for customer value explain benefits in relation to cost and competing offers.

OR

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

(i) Government and legal regulations

(ii) Marketing methods used [4 marks]

Solution:

Concept:

- Marketing Management: Price determination is affected by external restrictions as well as the marketing methods adopted by a business.
- Government regulation can restrict the freedom to set prices. Distribution, promotion, packaging and product differentiation influence the pricing decision.

Step 1: (i) Government and legal regulations **Protection of public interest:** The government may intervene in determining the prices of products to protect the interests of the public against unfair pricing practices. Consequently, a firm cannot always determine its selling price solely on the basis of its own costs, desired profits or the prevailing demand.

Restriction on pricing freedom: The government can declare a product an essential product and regulate its price. For example, the cost of a drug may be regulated by the government. Where such rules apply, the firm must keep its price within the permitted limits and comply with the relevant legal provisions. Government and legal regulations therefore act as an external constraint on the firm's pricing decision.

Step 2: (ii) Marketing methods used **Effect of marketing expenditure:** The marketing methods adopted by a firm affect the determination of price. These include the system of distribution, quality of salespersons employed, quality and amount of advertising, sales promotion efforts, type of packaging, credit facility and customer services provided. Expenditure on these activities has to be considered while fixing the selling price.

Effect on the offer and customer response: For instance, a firm using costly packaging or extensive advertising has to consider the additional expenditure when pricing its product. Product differentiation and the services accompanying the product can also influence the price customers are willing to pay. Thus, price should be determined in coordination with the firm's other marketing decisions, since the methods used affect both marketing costs and the appeal of the offering.

Step 3: Conclusion Government and legal regulations limit pricing freedom in the public interest, while the marketing methods used influence price through their costs and their effect on the offering made to customers.

Quick Tip to Solve: Keep the two factors distinct: legal restrictions constrain prices, whereas distribution, promotion, packaging and service decisions influence pricing.

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

(i) Technology upgradation

(ii) Financing alternatives [4 marks]

Solution:

Concept:

- Financial Management: Fixed capital refers to investment in long-term assets such as plant, machinery and buildings. Its requirement depends on replacement needs and the means available to obtain the use of assets.
- Technology upgradation affects the frequency of replacement, while financing alternatives such as leasing affect the funds committed to outright purchase.

Step 1: (i) Technology upgradation **Frequency of obsolescence:** In industries where technology changes rapidly, existing machinery becomes obsolete sooner. Such companies need a larger fixed-capital provision because they must replace or upgrade equipment more frequently to remain competitive. Computers, for example, become obsolete much faster than furniture, so a business using rapidly changing technology must plan for more frequent replacement investment.

Effect on the requirement: A company using assets with a longer technological life can continue with the same equipment for a longer period and generally needs less fixed capital for repeated replacement. Thus, faster technology upgradation increases fixed-capital requirements, other things remaining the same.

Step 2: (ii) Financing alternatives **Availability of leasing:** When a company can obtain an asset on lease, it need not purchase that asset outright. Instead, it pays lease rentals for the use of the asset and avoids committing a large amount to its purchase at the outset.

Effect on the requirement: Availability of leasing facilities therefore reduces the funds that the company needs to invest in fixed assets. If suitable leasing alternatives are unavailable and the company must purchase the required machinery or other assets, its fixed-capital requirement is higher. Leasing allows the business to use an asset without making the same initial investment that ownership requires.

Step 3: Conclusion Rapid technology upgradation increases fixed-capital requirements through frequent replacement. Availability of leasing reduces the funds required for outright investment in fixed assets.

Quick Tip to Solve: Link technology with replacement frequency, and leasing with avoiding the initial purchase outlay.

OR

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

(i) Control

(ii) Regulatory framework [4 marks]

Solution:

Concept:

- Financial Management: Capital structure is the proportion of debt and equity used to finance a company. Its choice must consider both ownership control and the legal requirements governing sources of finance.
- Equity shares carry voting rights; debt normally does not confer ownership voting rights. Each financing route must also satisfy the applicable regulatory framework.

Step 1: (i) Control **Effect of equity on control:** A fresh issue of equity shares to new investors can dilute the voting power of existing shareholders. If the existing shareholders want to retain their present control over the company, they may prefer debt to the issue of additional equity shares. Debt providers do not ordinarily receive the ownership voting rights associated with equity shares.

Choice of financing source: If the shareholders are willing to share control, a further equity issue can be considered. Thus, the desired level of control influences the debt-equity mix. This preference must also be considered with financial risk and repayment capacity: retaining control does not make unlimited borrowing a suitable financing policy.

Step 2: (ii) Regulatory framework **Compliance with legal requirements:** Every company operates within a regulatory framework. Its choice of capital structure must comply with the legal and regulatory provisions applicable to the source of finance selected. For example, raising funds through a public issue of shares or debentures requires compliance with applicable SEBI requirements.

Effect on the financing decision: Borrowing from banks and other financial institutions also requires observance of their applicable norms and conditions. The company must consider the requirements and procedures attached to each source before deciding its financing mix. A source cannot be chosen solely because it appears attractive; the company must be eligible to use it and able to meet its regulatory requirements.

Step 3: Conclusion Concern for retaining control may favour debt over fresh equity, while the regulatory framework requires the company to choose and use financing sources in compliance with applicable rules.

Quick Tip to Solve: For control, mention voting rights and dilution; for regulation, connect the chosen source with its compliance requirements.

27. 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: a long-term investment decision, or capital budgeting decision, determines the fixed assets and projects in which a business invests its funds.
- Cash flows, the rate of return and the investment criteria are the principal factors affecting a capital budgeting decision.

Step 1: (i) Identify the financial decision Arjun is taking a **long-term investment decision, also called a capital budgeting decision**. He must choose between opening a new store and launching an e-commerce platform. The case refers to a 'huge amount of investment', says it would be 'almost impossible for him to wriggle out' and warns that a wrong decision could damage the business's financial fortune. These features identify capital budgeting: substantial funds are committed for a long period and reversal is difficult and costly.

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

- **Cash flows of the project:** Investment generates a series of cash receipts and payments over its life. Arjun should carefully analyse the amount and timing of expected cash inflows and outflows for each option. He must assess the cash generated against the funds required; accounting profit alone does not show this cash-flow pattern.
- **Rate of return:** The expected return from each proposed investment is an important consideration. Arjun should estimate and compare the returns from the new store and the online platform, taking account of the risk involved. Other things being equal, the project offering the higher return is preferred.
- **Investment criteria involved:** Capital budgeting techniques evaluate projects by considering the investment required, interest rate, cash flows and rate of return. Arjun should apply suitable investment criteria to the alternatives and evaluate their financial merits before selecting a project. This gives a systematic basis for committing funds rather than choosing merely on the popularity of an option.

Step 3: Conclusion Arjun's decision is a capital budgeting decision. He should evaluate cash flows, rates of return and investment criteria before choosing an option.

Quick Tip to Solve: Link large investment, long-term effects and costly reversal to capital budgeting; then explain cash flows, return and investment criteria separately.

28. 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 esteem needs rather than primarily through money.
- Job enrichment, employee recognition, status, and career advancement opportunities are non-financial incentives illustrated in Sakshi's case.

Step 1: Identify and explain the incentives relating to work and recognition

- **Job enrichment:** This means designing a job to include a greater variety of work, higher knowledge and skill requirements, and more interesting or challenging responsibilities. Such work gives the employee opportunities for personal growth and a meaningful work experience. Sakshi's job was 'redesigned' and included a 'greater variety of work content, requiring higher level of knowledge and skill'. Thus the job itself became more motivating.
- **Employee recognition programmes:** Recognition means acknowledging and appreciating an employee's performance and contribution. It satisfies the need for appreciation and esteem and encourages the employee to maintain good performance. Sakshi's 'name was also displayed on the notice-board of the company, highlighting her achievements'. This public acknowledgement is the evidence of employee recognition.

Step 2: Identify and explain the incentives relating to position and growth

- **Status:** Status refers to an employee's position or rank in the organisation. The authority, responsibility, recognition and prestige attached to a position help satisfy psychological and esteem needs. Sakshi was given the 'status of a Technical Head' with 'more authority, responsibility, autonomy and powers'. The enhanced position therefore acted as a non-financial incentive.
- **Career advancement opportunities:** Employees are motivated when an organisation provides opportunities to improve their skills and advance to higher positions. Training and development

prepare them for greater responsibilities and create confidence about their future. Bolera Ltd. offered Sakshi 'training in advanced tools and technologies' so that she could be 'promoted to higher level jobs in the future'. These development and promotion prospects motivated her to remain with the company.

Step 3: Conclusion The four incentives are job enrichment, employee recognition programmes, status, and career advancement opportunities. Together they satisfy Sakshi's psychological, social and esteem needs.

Quick Tip to Solve: Match each action to its own incentive: varied work to enrichment, notice-board praise to recognition, rank to status, and training for promotion to career advancement.

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

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

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

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

[4 marks]

Solution:

Concept:

- Financial Markets: the trading procedure on a stock exchange includes issue of a contract note by the broker after execution of a client's order.
- A contract note records the completed transaction and provides legally enforceable evidence of the agreement between the broker and the client.

Step 1: (i) Identify the note The document is a **contract note**. The case states that the broker sent it to Chitra "within 24 hours" after execution of the trade. This is the formal record issued after the trade has been executed; the earlier trade confirmation slip merely confirms execution of the order.

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

- **Number of shares bought or sold:** It records the quantity traded; in Chitra's transaction, 100 shares of XYZ Ltd. were bought.
- **Price of the shares:** It records the price at which the transaction was executed; here, Rs 500 per share.
- **Date and time of the deal:** These establish when the broker executed the transaction on behalf of the client. The case does not specify the actual date or time.
- **Brokerage charges:** It states the brokerage payable for carrying out the transaction. No brokerage amount is given in the case.

Step 3: (iii) Explain its importance The contract note is an important **legal document**. It enables

Chitra to establish the terms of the transaction and enforce her rights against the broker. It can be produced as evidence if there is a dispute, difference or complaint between her and the broker. Its record of the deal therefore protects the investor's interests and makes the broker accountable for the transaction actually undertaken.

Step 4: Conclusion The broker issued a **contract note**, recording the quantity, price, date and time of the deal, and brokerage charges. It is legal evidence through which Chitra can enforce her rights against the broker.

Quick Tip to Solve: Link "within 24 hours after execution" to the contract note, and distinguish its legal evidentiary role from a simple trade confirmation slip.

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

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

Solution:

Concept:

- Principles of Management: Fayol's unity of command requires each employee to receive orders from, and be responsible to, one superior only.
- Fayol's stability of personnel requires a reasonable period of service in a position so that an employee can adjust, learn and demonstrate performance.

Step 1: Identify and explain unity of command

- **Principle and explanation:** The first principle violated is **unity of command**. Each individual employee should receive instructions from only one superior and be accountable to that superior. Dual command undermines authority and makes responsibility difficult to fix, particularly when the instructions conflict.
- **Evidence and application:** The employees "had to report to both the Project Manager and the Technical Head". The Project Manager stressed "strict deadlines", while the Technical Head insisted on detailed procedures and careful checking. These competing demands left employees confused about whose instructions to follow. A clear single reporting authority would remove this conflict and clarify responsibility for performance.

Step 2: Identify and explain stability of personnel

- **Principle and explanation:** The second principle violated is **stability of personnel**. Employees

should not be moved from their positions too frequently. After proper selection, they should be given a reasonable tenure in a position and sufficient time to become familiar with their work and demonstrate results. Frequent changes create insecurity and reduce efficiency.

- **Evidence and application:** Employees were "frequently changed or removed from their job positions" and "not given sufficient time to show their results". This denied them a stable tenure and created insecurity. Allowing suitable employees adequate time in their positions would help them develop proficiency and maintain continuity in client projects, improving work quality and protecting the company's reputation.

Step 3: Conclusion Zenne Solutions violated **unity of command** through dual reporting and **stability of personnel** through frequent changes of employees' job positions without sufficient time to perform.

Quick Tip to Solve: Two bosses giving conflicting instructions signals unity of command; frequent transfers or removals without time to perform signals stability of personnel.

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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 enable a consumer to make an informed purchase and obtain a remedy for defective goods.
- Consumers also have responsibilities, including learning about available goods and services and asserting their rights when dissatisfied.

Step 1: (i) Three consumer rights illustrated

- **Right to be informed:** A consumer has a right to complete information about a product, including its quality, quantity, price and other relevant particulars, to make an informed decision. The evidence is that the salesperson "informed her about the various options available", with brands, capacities, features and prices displayed.

- **Right to choose:** A consumer has the right to choose from a variety of goods 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. She exercised a choice among alternatives.
- **Right to seek redressal:** A consumer has the right to obtain relief against unfair practices or defective goods. Here the court ordered the company to "replace the refrigerator with a new one or refund the money along with compensation". This provides a remedy for her loss and inconvenience.

Step 2: (ii) Appropriate consumer court Shubha approached the **District Consumer Disputes Redressal Commission (District Commission)**. The consideration paid for the refrigerator was Rs 96,000, which falls within the District Commission's pecuniary jurisdiction. Under the Consumer Protection (Jurisdiction of the District Commission, the State Commission and the National Commission) Rules, 2021, it covers consideration paid not exceeding Rs 50 lakh. The purchase therefore belongs at district level.

Step 3: (iii) One consumer responsibility fulfilled **Being aware of available goods and services:** Shubha learnt about the alternatives and compared their quality, brand, size and price before buying. She fulfilled the responsibility of making an informed and intelligent choice instead of purchasing without checking the available options.

Step 4: (iv) Two reliefs granted

- **Replacement of the defective refrigerator** with a new one; alternatively, refund of the price paid, Rs 96,000.
- **Compensation for the inconvenience** caused to Shubha by the defective product and the company's failure to resolve her complaint.

Replacement and refund are alternative remedies in the order; compensation accompanies the chosen remedy.

Step 5: Conclusion The case illustrates the rights to be informed, to choose and to seek redressal. The District Commission provides the appropriate remedy for this purchase, while Shubha fulfilled her responsibility to compare available products before choosing.

Quick Tip to Solve: Link information to the salesperson, choice to comparison, and redressal to the court's remedy; keep consumer rights separate from consumer responsibilities.

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: the management function that measures actual performance, compares it with standards, identifies deviations and initiates corrective action to achieve organisational objectives.
- The controlling process comprises setting performance standards, measuring actual performance, comparing performance with standards, analysing deviations and taking corrective action.

Step 1: (i) Identify the function The function highlighted is **controlling**. Management is monitoring product quality against prescribed standards so that defects can be identified and corrected. The words "closely monitor the production process to investigate the cause of the problem" show its concern with checking actual performance and restoring the desired quality.

Step 2: (ii) Steps discussed in the case

- **Setting performance standards:** Standards are the criteria against which actual performance is assessed. They should be clear and measurable wherever possible so that performance can be evaluated objectively. The statement that the company "had laid down clear quality standards for each of its products" identifies this step: prescribed product quality is the benchmark for checking output.
- **Measurement of actual performance:** Actual performance must be measured objectively and reliably, using suitable techniques such as personal observation, reports or sample checking. The evidence is that the company "initiated sample checking and conducted stringent quality checks on nearly 500 packets every week". Checking these packets measures the quality of the output being produced. The case does not say that all packets were checked.

Step 3: (iii) Remaining steps needed to complete controlling

- **Comparing actual performance with standards:** Management must compare the measured quality of the packets with the predetermined product standards. This will reveal whether actual quality meets the benchmark and show the extent of any deviations. Comparison should use the same basis on which the standards were set.
- **Analysing deviations:** Management must determine which deviations are significant and establish their causes. Critical point control focuses attention on key result areas, while management by exception brings significant departures from standards to management's attention. For this

company, management should investigate the causes of quality failures rather than merely count customer complaints. Possible causes must be checked against evidence before any remedy is chosen.

- **Taking corrective action:** Management must remove the identified causes of significant deviations and bring performance into line with standards. Depending on the verified cause, action may include improving raw-material quality, repairing equipment or training workers. These are possible actions, not events already stated in the case. Where a standard itself proves unrealistic, it may require revision after careful review. Follow-up checks should establish whether the action has restored the required quality.

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

Quick Tip to Solve: Separate the two actions already stated in the case from the three steps still required: compare, analyse, and correct.

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

(i) Growth in size

(ii) Functional differentiation

(iii) Specialisation [6 marks]

Solution:

Concept:

- Nature and Significance of Management: coordination integrates the efforts of different individuals and departments to secure unity of action in pursuing common organisational objectives.
- The need for coordination increases with growth in size, functional differentiation and specialisation because individual efforts must be brought into a common direction.

Step 1: Explain growth in size **(i) Growth in size:** As an organisation grows, the number of people employed by it also increases. Individuals differ in their interests, attitudes, abilities and ways of working. They may pursue their own objectives at the cost of the organisationś objectives. Coordination is necessary to harmonise these individual goals with organisational goals and secure unity of action. For example, employees may seek higher remuneration while the organisation seeks improved productivity; coordinated efforts help bring these interests together. Thus, simply increasing the workforce does not ensure effective collective performance.

Step 2: Explain functional differentiation **(ii) Functional differentiation:** Work in an organisation is divided among departments such as production, finance and marketing. Each department has its own objectives, policies and approach and may concentrate on its own results while overlooking the goals of the organisation as a whole. Their activities are also interdependent. For example, marketing may promise quick delivery, whereas production may prefer longer production runs and finance may seek lower inventory. Coordination integrates departmental activities, reconciles conflicting interests and ensures that all departments work towards common objectives.

Step 3: Explain specialisation **(iii) Specialisation:** Modern organisations employ specialists with expert knowledge in particular fields. Specialists often believe that only they are qualified to judge matters within their area of expertise and may be reluctant to accept advice from others. This can create disagreement among specialists and between specialists and other members of the organisation. Coordination reconciles these differences and integrates their specialised contributions. It ensures that technical expertise serves the overall organisational objective instead of producing isolated or conflicting efforts.

Step 4: Conclusion Coordination becomes essential as the workforce expands, departments pursue different objectives and specialists develop distinct viewpoints. It unifies their efforts towards organisational goals.

Quick Tip to Solve: For each heading, explain the source of conflicting efforts first, then show how coordination integrates those efforts towards the common goal.

OR

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

(i) Universal applicability

(ii) General guidelines

(iii) Formed by practice and experimentation [6 marks]

Solution:

Concept:

- Principles of Management: principles are broad and general guidelines for managerial decision-making and behaviour.
- Their nature includes universal applicability, their role as general guidelines, and their formation through practice and experimentation.

Step 1: Explain universal applicability **(i) Universal applicability:** Principles of management can be applied in all types of organisations, whether business or non-business, small or large, public or private. They are relevant at different levels of management and in different kinds of managerial work. However, the extent and manner of their application depend upon the nature of the organisation, the activity involved and the situation faced. For example, division of work can improve efficiency in both a factory and a hospital, although the tasks and the way they are divided will differ. Universal applicability therefore does not imply identical application in every setting.

Step 2: Explain general guidelines **(ii) General guidelines:** Management principles provide broad guidance for decision-making and action. They do not offer ready-made, rigid solutions to every managerial problem. Real business situations are complex and dynamic and arise from many interacting factors, including human behaviour. Managers must therefore interpret and apply the principles with judgement in the light of the particular circumstances. For example, a principle may guide a manager in designing reporting relationships, but the precise arrangement must suit the needs of that organisation. Principles help managers choose an appropriate course of action without replacing their

judgement.

Step 3: Explain formation through practice and experimentation **(iii) Formed by practice and experimentation:** Management principles develop from the observations, experience and repeated practice of managers, as well as from experimentation. Managers observe how particular methods affect efficiency and behaviour, draw conclusions from repeated experiences and test alternative ways of working. For example, the usefulness of division of work is supported by observing that repeated performance of a specialised task develops skill and improves efficiency. Experiments can compare different working methods and their results. Thus, management principles have an experiential basis; they are not merely arbitrary personal opinions.

Step 4: Conclusion Management principles apply widely, guide decisions without prescribing a fixed answer to every problem, and arise from managerial experience, observation and experimentation.

Quick Tip to Solve: Distinguish scope from precision: universal applicability concerns where principles apply, while general guidelines concerns how flexibly managers must apply them.

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

(i) Preliminary Screening

(ii) Employment Interview

(iii) Reference and Background checks [6 marks]

Solution:

Concept:

- Staffing: recruitment searches for prospective employees, while selection identifies the most suitable applicants for a job.
- Staffing: Selection Process uses systematic methods to match job requirements with suitable people.

Step 1: Preliminary screening: purpose **Preliminary Screening:** This is the initial scrutiny of applications to eliminate candidates who do not meet the minimum requirements of the job. The manager examines the information given in the application, such as educational qualifications, training and experience, against the requirements of the vacant post. Applicants who clearly lack the required qualifications or experience are screened out at this stage.

Step 2: Preliminary screening: initial assessment An initial screening interview may also be conducted to obtain basic information and identify obviously unsuitable applicants. The purpose is to reduce the number of applicants who proceed to the more detailed stages of selection. Thus, time and effort are concentrated on candidates who have the basic qualifications needed for the job; screening itself does not constitute final selection.

Step 3: Employment interview: meaning **Employment Interview:** This is a formal, in-depth conversation between the interviewer and the applicant to evaluate the applicant's suitability for the job. The interviewer asks questions to assess qualities such as knowledge, experience, ability to communicate and the likely contribution of the candidate. The interaction supplements the information obtained through the application and selection tests.

Step 4: Employment interview: two-way exchange The interview is also an opportunity for the applicant to seek information about the organisation and the job. The prospective employer should provide an honest picture of the job, including its demands and limitations. This two-way exchange helps both parties judge whether the employment relationship would be suitable, rather than treating the interview merely as a one-sided questioning session.

Step 5: Reference and background checks: verification **Reference and Background Checks:** Employers seek names, addresses and telephone numbers of references to verify the information supplied by an applicant and obtain additional information. References may include previous employers, known persons, teachers or university professors who can provide relevant information about the applicant's abilities and character.

Step 6: Reference and background checks: decision support The employer contacts these references to check details such as previous employment, experience, conduct and the authenticity of claims in the application. Such enquiries help establish the reliability of the information on which selection is based. They support the assessment of the candidate's suitability before the organisation takes its selection decision.

Step 7: Conclusion The three steps respectively screen out obviously unsuitable applicants, assess suitability through an in-depth conversation, and verify the applicant's information through references and background enquiries.

Quick Tip to Solve: Keep the purposes distinct: screening eliminates, interviewing assesses, and reference checks verify.

OR

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

(i) Campus Recruitment

(ii) Recommendation of Employees

(iii) Placement Agencies and Management Consultants [6 marks]

Solution:

Concept:

- Staffing: recruitment searches for prospective employees, while selection identifies the most suitable applicants for a job.
- Staffing: External Sources of Recruitment uses systematic methods to match job requirements with suitable people.

Step 1: Campus recruitment: meaning **Campus Recruitment:** Educational institutions, such as universities, colleges and institutes of technology and management, are an important source of recruitment, especially for technical, professional and managerial jobs. Organisations approach these institutions to identify suitable students and recruit them for vacancies in the enterprise. The candidates enter the organisation from outside its existing workforce.

Step 2: Campus recruitment: process and suitability Many organisations maintain close links with

educational institutions and send recruitment teams to their campuses. They may conduct interviews and other selection activities to choose students whose qualifications match job requirements. This source is particularly useful when an enterprise needs fresh graduates with specialised knowledge and training, whom it can further develop for its requirements.

Step 3: Recommendation of employees: meaning **Recommendation of Employees:** Existing employees may recommend suitable friends, relatives or other persons known to them for vacant jobs. Since employees understand the organisation and its requirements, they may suggest people who possess relevant qualifications and experience. The recommended applicants are external candidates, even though the information about them comes through current employees.

Step 4: Recommendation of employees: usefulness The background of a recommended candidate may be sufficiently known to the employee recommending that person. A preliminary assessment is therefore easier, and the employee who recommends the candidate has a personal stake in the recommendation. This source can help an organisation locate suitable applicants, although a recommendation does not remove the need to assess the candidate against the job requirements.

Step 5: Placement agencies: service and charges **Placement Agencies:** Private placement agencies collect information about job seekers and maintain records of applicants with different skills and qualifications. They provide organisations with a pool of suitable candidates for their vacancies. These agencies render the service for a fee and are particularly useful in obtaining professional and managerial personnel when an enterprise needs help in locating appropriate applicants.

Step 6: Management consultants: specialised recruitment **Management Consultants:** Management consultancy firms help organisations recruit technical, professional and managerial personnel, particularly for higher-level and specialised positions. They maintain data about persons with relevant qualifications and experience and may approach suitable executives working elsewhere. Their knowledge and contacts help match the specialised requirements of an organisation with suitable candidates.

Step 7: Conclusion Campus recruitment obtains candidates from educational institutions; employee recommendations locate external applicants through existing employees; placement agencies and management consultants help employers find suitable candidates, including specialised and managerial personnel.

Quick Tip to Solve: For each source, state where candidates come from, how the source operates, and the type of vacancy it serves.