

CBSE 12 Business Studies (66/2/2) Question Paper with Solutions

Time Allowed :3 hours	Maximum Marks :80	Total questions :34
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General Instructions

Read the following instructions very carefully and strictly follow them :

1. This question paper contains 34 questions. All questions are compulsory.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to questions carrying 3 marks may be from 50 to 75 words.
5. Answers to questions carrying 4 marks may be in about 150 words.
6. Answers to questions carrying 6 marks may be in about 200 words.
7. Attempt all parts of a question together.

1. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:

Assertion (A): Decentralization is an optional policy decision.

Reason (R): It is done at the discretion of the top management.

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

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

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

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

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

Solution:

Decentralization is an optional decision made at the discretion of the top management. Top management has the authority to decide whether decentralization should be implemented in the organization based on factors like its size, complexity, and goals. Assertion (A) is correct, and Reason (R) explains this concept by stating that decentralization is a decision taken by top management. Hence, both are true, and Reason (R) explains Assertion (A).

Quick Tip

Decentralization is a policy decision made by top management, and it is flexible depending on the needs and structure of the organization.

2. 'Lack of confidence of superior in his subordinates' is one of the barriers of communication. Identify the communication barrier:

(A) Personal barrier

(B) Psychological barrier

(C) Semantic barrier

(D) Organizational barrier

Correct Answer: (A) Personal barrier

Solution:

The communication barrier described here is a **personal barrier**, which arises due to individual attitudes, emotions, or biases. In this case, the superior's lack of confidence in their subordinates is a personal perception that hampers effective communication. Personal barriers can lead to miscommunication, misunderstanding, and inefficiency in the workplace.

Quick Tip

Personal barriers are caused by individual emotions, attitudes, or biases that affect the flow of communication and may lead to miscommunication.

3. _____ is the process of holding securities in an electronic form.

- (A) Rolling Settlement
- (B) Registration
- (C) Dematerialization
- (D) Depository

Correct Answer: (C) Dematerialization

Solution:

Dematerialization refers to the process of converting physical securities into electronic form. This enables faster and more secure transactions.

Quick Tip

Dematerialization helps eliminate the need for physical certificates and simplifies the management and trading of securities.

4. 'Lens-o' was started as an online eyewear company selling glasses and contact lenses on their website. Recently, it set up a uniquely designed offline store, so that customers can also buy their products from the company showroom.

Which channel of distribution is used by the company:

- (A) Zero level channel
- (B) One level channel

- (C) Two level channel
- (D) Three level channel

Correct Answer: (A) Zero level channel

Solution:

The company, 'Lens-o,' uses a **zero level channel** of distribution. This type of distribution channel is direct, where the company sells its products directly to customers without intermediaries. Initially, 'Lens-o' operated online, and with the introduction of an offline store, the company continues to use a direct distribution model.

Quick Tip

Zero-level distribution channels involve direct selling by the producer to the consumer, without intermediaries.

5. Akash Mehra is the Marketing Manager of 'Kedanta Enterprises'. He gives orders and expects his subordinates to obey those orders. Communication is only one-way with the subordinates only acting according to the command given by him.

Identify the leadership style of Akash Mehra:

- (A) Authoritative
- (B) Participative
- (C) Free-rein
- (D) Pragmatic

Correct Answer: (A) Authoritative

Solution:

Akash Mehra follows an **authoritative leadership style**, where the leader gives clear instructions and expects compliance from subordinates with little input from them. The communication is one-way, with the manager issuing commands.

Quick Tip

An authoritative leadership style involves top-down communication and command-based decision-making, with little input from subordinates.

6. The selection tests which are used to measure individual's potential for learning new skills are called:

- (A) Aptitude Tests
- (B) Intelligence Tests
- (C) Personality Tests
- (D) Interest Tests

Correct Answer: (A) Aptitude Tests

Solution:

The tests used to measure an individual's potential for learning new skills are **Aptitude Tests**. These tests assess the ability of an individual to learn or develop new skills and are commonly used in the selection process for jobs that require specific competencies.

Quick Tip

Aptitude tests measure a person's potential to develop skills and learn new tasks, often used to assess suitability for training programs.

7. 'Increase in profit earned by equity shareholders due to the presence of fixed financial charges like interest' is referred to as:

- (A) Capital structure
- (B) Financing decision
- (C) Return on Investment
- (D) Trading on equity

Correct Answer: (D) Trading on equity

Solution:

The correct answer is **Trading on equity**. Trading on equity occurs when a company uses fixed financial charges, such as interest on debt, to increase the return for its equity shareholders. The presence of debt can amplify the profits for equity shareholders due to the leverage effect.

Quick Tip

Trading on equity occurs when a company uses debt to amplify the returns on equity. This practice increases profit for shareholders but also raises financial risk.

8. 'JKSD India Ltd.' recently introduced a new range of 'fresh from kitchen' jams, ketchups, salad dressings and peanut butter, etc. They appointed salespersons to contact prospective customers in leading malls to create awareness about their products and develop product preferences with the aim of making sales.

Which tool of promotion is being used by 'JKSD India Ltd.' to market its products:

- (A) Advertising
- (B) Personal Selling
- (C) Sales Promotion
- (D) Public Relations

Correct Answer: (B) Personal Selling

Solution:

The tool of promotion used by 'JKSD India Ltd.' is **Personal Selling**. In this case, salespersons are directly interacting with potential customers in malls to promote the products and persuade them to buy. Personal selling involves face-to-face communication where a sales representative helps in persuading the customer to purchase a product.

Quick Tip

Personal selling involves direct interaction between the salesperson and the potential customer, aiming to persuade them to purchase the product.

9. 'Vishesh Constructions', a construction company, decided to strictly implement 'No Helmet, No Entry' and put the following sign at their construction sites:



Identify the type of plan indicated by the above sign:

- (A) Policy
- (B) Rule
- (C) Method
- (D) Programme

Correct Answer: (B) Rule

Solution:

This is a **rule** because it is a clear and direct instruction that needs to be followed. A rule is a regulation that must be obeyed, and in this case, it ensures safety at the construction site.

Quick Tip

A rule is a clear, unambiguous directive meant to be followed precisely.

10. _____ is the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

- (A) Training
- (B) Selection
- (C) Development
- (D) Recruitment

Correct Answer: (D) Recruitment

Solution:

Recruitment is the process of attracting potential employees to apply for job openings. It involves advertising vacancies, sourcing candidates, and encouraging qualified individuals to apply.

Quick Tip

Recruitment is about attracting and sourcing suitable candidates for available job positions in the organization.

11. Which of the following is not a feature of marketing:

- (A) Needs and wants
- (B) Storage and warehousing
- (C) Customer value
- (D) Creating a market offering

Correct Answer: (B) Storage and warehousing

Solution:

The correct answer is **Storage and warehousing**. While storage and warehousing are important aspects of logistics and supply chain management, they are not core features of marketing. Marketing primarily focuses on understanding and meeting customer needs and wants, creating value, and offering products and services that appeal to the target market.

Quick Tip

Marketing is focused on identifying customer needs and wants, creating value, and promoting products or services. Storage and warehousing are logistical functions, not marketing features.

12. Financial market allocates or directs funds available for investment into the most productive investment opportunity. In doing so, it performs the _____ function.

- (A) Creative
- (B) Exchange
- (C) Allocative
- (D) Productive

Correct Answer: (C) Allocative

Solution:

The correct answer is **Allocative**. In financial markets, funds are allocated or directed to the most productive investment opportunities. This allocation function ensures that capital is distributed efficiently to support economic growth and investment in productive ventures.

Quick Tip

The allocative function of the financial market involves directing funds to the most productive uses, which supports economic growth.

13. 'A public issue of equity may reduce the management holding in the company and make it vulnerable to takeover. This factor also influences the choice between debt and equity, especially in companies in which the current holding of management is on a lower side.'

The factor affecting the choice of capital structure discussed in the above case is:

- (A) Flexibility
- (B) Cost of debt
- (C) Cost of equity
- (D) Control

Correct Answer: (D) Control

Solution:

The factor affecting capital structure in this case is **control**. Issuing equity to the public can dilute the ownership of management, making it vulnerable to a takeover. Companies prefer to maintain control, especially when their current stake in the company is low. Hence, control is an important factor in determining the choice between debt and equity financing.

Quick Tip

Maintaining control is crucial when making capital structure decisions, especially when management's equity stake is low and vulnerable to dilution.

14. From the following, choose the incorrect statement about the importance of 'Directing' function of management:

- (A) Directing helps to initiate action by people in the organization towards attainment of desired objectives.
- (B) Directing integrates employees' efforts in the organization in such a way that every individual effort contributes to the organization's performance.
- (C) Directing facilitates introduction of needed changes in the organization.
- (D) Directing helps in estimating manpower requirements for the organization.

Correct Answer: (D) Directing helps in estimating manpower requirements for the organization.

Solution:

Directing involves guiding and supervising employees to ensure that they are working towards organizational goals. However, estimating manpower requirements is part of the planning function, not directing.

Quick Tip

Directing is focused on managing and guiding people to achieve goals, while estimating manpower needs is a part of the planning process.

15. Sudha and Shweta were twin sisters. After completing their education from college, they decided to start a business. As they were Commerce students, they knew the importance of deciding in advance 'what to do' and 'how to do'. It was very challenging for them as this decision was to guide all their future actions. While discussing the same with their mother, they got a new idea of starting a 'Cloud Kitchen'. Both the sisters were very excited to start this. The idea took the shape of a concrete plan and within a month, they were successful in starting their 'Cloud Kitchen.'

Identify the point of importance of planning highlighted in the above case:

- (A) Planning reduces the risk of uncertainty.
- (B) Planning promotes innovative ideas.
- (C) Planning establishes standards for controlling.
- (D) Planning reduces overlapping and wasteful activities.

Correct Answer: (B) Planning promotes innovative ideas.

Solution:

The case demonstrates how planning encouraged Sudha and Shweta to transform their innovative idea into a successful business. Planning promotes new ideas and helps convert them into concrete actions.

Quick Tip

Effective planning fosters innovative ideas by providing the structure needed to turn them into reality and guide future actions.

16. A name, term, symbol, design, or some combination of these, used to identify the products, goods or services of one seller or group of sellers and to differentiate them from those of the competitors is known as:

- (A) Brand
- (B) Trade Mark
- (C) Brand Name
- (D) Brand Mark

Correct Answer: (A) Brand

Solution:

The correct answer is **Brand**. A brand is a unique name, term, symbol, or design that identifies and differentiates a company's products or services from others in the market. It is used to create a unique identity and recognition in the marketplace.

Quick Tip

A brand is a powerful tool for distinguishing a company's products or services from its competitors, helping build loyalty and recognition.

17. Sunita opened her travel agency named 'Sunita Travels' in July, 2023. She created separate departments for reservations, hotel bookings, online queries and payment handling. Which organisation structure is used by Sunita:

- (A) Functional structure
- (B) Divisional structure
- (C) Informal structure
- (D) Vertical structure

Correct Answer: (A) Functional structure

Solution:

Sunita has used a **functional structure** for her travel agency. In this structure, the organization is divided into different departments based on specialized functions like reservations, hotel bookings, and payment handling. Each department focuses on a specific function, which enhances efficiency and specialization.

Quick Tip

In a functional structure, an organization is divided into departments based on specific functions, each managed by functional heads.

18. Statement I: Controlling ensures that activities in an organization are performed as per the plans.

Statement II: Controlling function of a manager is a pervasive function.

Choose the correct option from the options given below:

- (A) Statement I is true and Statement II is false.
- (B) Statement II is true and Statement I is false.
- (C) Both the Statements are true.
- (D) Both the Statements are false.

Correct Answer: (C) Both the Statements are true.

Solution:

Statement I is true because controlling is the function of ensuring that activities are aligned with the plans and objectives set by the organization. Statement II is also true as controlling is a pervasive function, meaning it is required at all levels of management, from top to operational levels. Therefore, both statements are correct.

Quick Tip

Controlling ensures that activities align with plans and is a pervasive function across all levels of management in the organization.

19. Sushant was an able Project Manager at 'Keiro Ltd.' Sushant's Head, Naveen handed over a new project to Sushant. Sushant already had enough work in hand. So, Sushant decided to divide the work assigned to him, among three of his subordinates. He himself kept that part of the work which he could perform effectively and got his subordinates to help him with the remaining tasks. The project got completed well in time because of this.

The concept of management used by Sushant to complete the project was:

- (A) Delegation
- (B) Decentralization
- (C) Accountability
- (D) Authority

Correct Answer: (A) Delegation

Solution:

Sushant demonstrated **delegation** by assigning specific tasks to his subordinates while retaining the responsibility for the overall project. Delegation involves transferring authority and responsibility for specific tasks to others while the manager maintains accountability. This allowed Sushant to effectively manage his workload and complete the project on time with the help of his subordinates.

Quick Tip

Delegation is the process of assigning tasks and responsibilities to others while maintaining accountability for the outcomes.

20. Match the Marketing Management philosophies given in Column I with their main focus given in Column II:

Column I	Column II
1. Production concept	i) Customers' needs
2. Product concept	ii) Quality, performance and features of product.
3. Marketing concept	iii) Customers' needs and societal well-being.
4. Societal Marketing concept	iv) Quantity of product

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

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

Solution:

The correct matching of marketing philosophies to their main focus is as follows:

1. Production concept: **iv) Quantity of product**
2. Product concept: **ii) Quality, performance and features of product.**
3. Marketing concept: **i) Customers' needs**
4. Societal Marketing concept: **iii) Customers' needs and societal well-being.**

Quick Tip

Different marketing philosophies focus on various aspects of production, quality, customer needs, and societal well-being to guide organizational strategies.

21. (a) State any three 'regulatory functions' of Securities and Exchange Board of India.

Solution:

1. Registration of brokers and sub-brokers and other players in the market.
2. Registration of collective investment schemes and Mutual Funds.
3. Regulation of stock brokers, portfolio exchanges, underwriters, and merchant bankers and the business in stock exchanges and any other securities market.
4. Regulation of takeover bids by companies.
5. Calling for information by undertaking inspection, conducting enquiries, and audits of stock exchanges and intermediaries.

Quick Tip

SEBI regulates market participants and ensures fair practices, maintaining transparency and fairness in the securities market.

21(b). State any three objectives of the Securities and Exchange Board of India (SEBI).

Solution:

Objectives of SEBI:

(i) Regulation of Stock Exchanges:

- SEBI aims to regulate stock exchanges and the securities market to ensure their smooth and orderly functioning.

(ii) Investor Protection and Awareness:

- SEBI works to protect the rights and interests of investors, particularly individual investors, by guiding and educating them about securities trading.

(iii) Prevention of Trading Malpractices:

- SEBI ensures that unethical and fraudulent activities such as insider trading, price manipulation, and unfair trade practices are prevented.

(iv) Regulation of Intermediaries:

- SEBI formulates a code of conduct and fair practices for intermediaries like brokers, merchant bankers, and investment advisors, ensuring professionalism and competitiveness.

Quick Tip

SEBI plays a crucial role in regulating stock markets, protecting investors, preventing fraud, and ensuring fair practices in the securities industry.

22. After studying Entrepreneurship in Class XII, Neel completed a baking course and started a bakery, 'Cakes and Bakes'. He set a target of earning a modest 10% return on investment in the first year. As he was supplying healthy bakery products, the demand kept increasing. 'Cakes and Bakes' became a famous bakery in a year. He now wanted to develop a plan to define the direction and scope of 'Cakes and Bakes' for the long run. He made a marketing plan to decide if he could charge higher price to improve his return on investment, how to advertise the products, etc.

Quoting lines from the above paragraph, identify and explain two types of plans discussed in the above case.

Solution:

Two types of plans discussed in the case:

(i) Objective:

"He set a target of earning a modest 10% return on investment. An objective is a specific goal set by the organization to be achieved within a set time period. In this case, the target return on investment is a clear objective.

(ii) Strategy:

”He now wanted to develop a plan to define the direction and scope of 'Cakes and Bakes' for the long run.”

A strategy outlines a broad course of action that is designed to achieve long-term goals and objectives, such as improving ROI and advertising products effectively.

Quick Tip

Objectives are specific, measurable goals, while strategies are broader plans designed to achieve these objectives over the long term.

23. Piyush is the Production Manager of a shoe company 'Comforty'. He has 1000 workers under him in his department. Piyush booked a special order for 300 pairs of gents shoes at an estimated cost price of ₹500 per pair plus a 20% profit margin. This order is to be completed within 10 days. After completion of the order, Piyush found out that the production cost of one pair of shoes was ₹700. He tried to find out the reason but he couldn't. He reported it to the Chief Executive Officer. For this the Chief Executive Officer appointed Abhay, who was not only a specialized Cost Accountant, but also a qualified Human Resource Manager. After two days, Abhay reported that the set target could have been completed by only 800 workers. This revealed that there was overmanning in the organization, The organization was not utilizing the human resources optimally which had led to high labour cost.

The above case highlights one of the points of importance of an important function of management.

(i) Identify the function of management discussed above.

Solution:

(i) The function of management discussed in this case is Controlling.

Controlling is a key function of management that involves monitoring and evaluating the progress of activities to ensure that the organization is on track to meet its objectives. It includes the processes of setting performance standards, measuring actual performance, identifying deviations from the standards, and taking corrective actions.

In this case, Piyush, the Production Manager, noticed that the production cost for one pair of

shoes exceeded the estimated cost. Upon investigation by Abhay, it was found that there was overmanning in the production process, meaning that more workers were involved than necessary to complete the task. The result was higher labor costs and inefficiency in resource utilization.

The controlling function is crucial in identifying such discrepancies and providing a foundation for corrective actions. By using controlling techniques, Abhay was able to identify the problem, allowing the organization to adjust its labor usage, thereby reducing costs and improving efficiency in future projects.

The key steps in controlling include:

1. **Setting performance standards:** In this case, the initial cost estimation and labor requirements would have been set as the performance standard.
2. **Measuring actual performance:** The actual labor used and the cost of production were monitored, revealing discrepancies between the expected and actual performance.
3. **Identifying deviations:** It was identified that the production process was using more workers than necessary, leading to higher labor costs.
4. **Taking corrective action:** After the issue was identified, the corrective action would involve optimizing the number of workers required and making the necessary adjustments to ensure that future production is more efficient.

Controlling is a fundamental part of the management process because it ensures that resources are used efficiently, performance is aligned with objectives, and the organization can quickly address any inefficiencies or issues that arise.

Quick Tip

Controlling ensures that performance aligns with goals, helping to identify deviations and take corrective actions to improve efficiency and resource utilization.

(ii) State any three points of importance of the function identified in (i) above.

Solution: (ii) Importance of Controlling:

- (1) It helps in accomplishing organisational goals by bringing to light the deviations, if any, and indicating corrective action.

- (2) It helps in judging accuracy of standards in the light of changes taking place in the organization and environment.
- (3) It helps in making efficient use of resources by ensuring that each activity is performed in accordance with predetermined standards.
- (4) It improves employee motivation as the employees know well in advance the standards of performance on the basis of which they will be appraised.
- (5) It ensures order and discipline among employees by keeping a close check on their activities.
- (6) It facilitates coordination in action as each department is governed by pre-determined standards which are well coordinated with one another.

Quick Tip

Controlling ensures that the organization stays on track by monitoring performance, detecting deviations, and taking corrective action.

24. (A) Explain any three points of importance of 'Controlling' function of management.

Solution:

The importance of controlling in management includes:

- (i) **Accomplishing organisational goals:** Controlling ensures that activities are aligned with the set objectives of the organization, helping in achieving the overall goals.
- (ii) **Making efficient use of resources:** It helps in monitoring the utilization of resources effectively and optimally.
- (iii) **Ensuring order and discipline:** By keeping a check on performance, controlling ensures that the employees work in an organized and disciplined manner, maintaining a smooth workflow.

Quick Tip

Controlling ensures that actions are consistent with the plans and helps in making necessary corrections to achieve goals efficiently.

24.(b) Explain the relationship between 'Planning' and 'Controlling' functions of management with the help of any three points.

Solution:

Planning and controlling are inseparable twins of management. They are interdependent and work together to ensure the achievement of organizational goals.

- 1. Planning is a prerequisite for controlling:** Planning sets the goals, and controlling helps to ensure that those goals are achieved. Without a plan, there is no standard to measure against.
- 2. Planning is prescriptive, controlling is evaluative:** Planning involves deciding on a course of action for the future, while controlling assesses whether the actions taken are in line with the plan.
- 3. Planning is forward-looking, controlling is backward-looking:** Planning sets future goals, whereas controlling evaluates past activities to correct any deviations and ensure goals are achieved.

Quick Tip

Planning provides a framework for setting goals, while controlling ensures these goals are met by monitoring progress and correcting deviations.

25. 'VBR Cinema', an Indian multiplex cinema hall was the first to recognize the change in consumption habits of people. It changed its food menu from burgers, pizza, soft drinks, etc., and switched over to healthier options like salads and smoothies, soups, and anjeer-based sweets. Within a month, the revenue of the multiplex from sale of food items doubled.

'VBR Cinema', by continuously monitoring the environment and adopting suitable business practices, was able to improve its revenues and profits and was hopeful that it will continue to succeed in the market in the long run too.

Identify and explain one dimension of business environment and one point of importance of understanding the business environment highlighted in the above case.

Solution:

Dimension of Business Environment:

• **Social Environment:**

The social environment of business includes social forces like customs, traditions, values, social trends, and society's expectations from business.

Importance of Understanding the Business Environment:

• **It helps to improve performance:**

Enterprises that continuously monitor their environment and adopt suitable business practices not only improve their current performance but also continue to succeed in the market for a longer period.

Quick Tip

Understanding the social environment helps businesses adapt to changing consumer preferences and sustain long-term success.

26(a). Explain any four advantages of external sources of recruitment.

Solution:

Advantages of External Sources of Recruitment: (Any four)

(i) Qualified Personnel:

- External sources provide access to a large pool of qualified and skilled candidates who may bring new expertise to the organization.

(ii) Wider Choice:

- By recruiting externally, businesses get a wider selection of candidates, increasing the chances of finding the right fit for the job.

(iii) Fresh Talent:

- External candidates bring new ideas, perspectives, and innovation to the organization, promoting creativity and problem-solving.

(iv) Competitive Spirit:

- Hiring externally creates healthy competition among existing employees, encouraging them to improve performance and productivity.

Quick Tip

External recruitment enhances organizational growth, innovation, and workforce diversity, ensuring the selection of the best available talent.

26(b). Explain 'Direct Recruitment' and 'Casual Callers' as external sources of recruitment.

Solution:

(i) Direct Recruitment:

- Organizations place a notice on their notice board, specifying job vacancies.
- Unskilled and semi-skilled job seekers gather outside the company's premises, and selection is done on the spot.
- This method is cost-effective as it does not involve advertising expenses for vacancies.

(ii) Casual Callers:

- Many reputed organizations maintain a database of unsolicited job applications received from potential candidates.
- Whenever vacancies arise, these pre-screened applicants are considered, reducing the time and cost of recruitment.
- This method provides an efficient hiring process, ensuring that vacancies are filled quickly.

Quick Tip

Direct recruitment is an inexpensive method for hiring unskilled workers, while casual callers provide a ready database of potential employees, reducing recruitment costs.

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

(i) Technology Upgradation

(ii) Choice of Technique

Solution:

(i) Technology Upgradation

- In certain industries, technological advancements cause assets to become obsolete quickly,

requiring frequent replacements.

- Such industries need higher investments in fixed assets to keep up with the latest technology.
- Example: The IT and telecom industry frequently upgrades equipment, requiring more fixed capital.

(ii) Choice of Technique

- A capital-intensive organization requires higher investments in machinery and equipment, as it relies less on manual labor.
- Such firms have greater fixed capital requirements to maintain efficiency and productivity.
- In contrast, labor-intensive organizations depend more on manpower and require less investment in fixed assets, resulting in lower fixed capital needs.

Quick Tip

Industries with frequent technological advancements and capital-intensive operations require higher fixed capital investments, while labor-intensive firms require less.

27(b). Explain the following factors affecting the dividend decision:

(i) Stability of Earnings

(ii) Taxation Policy

Solution:

(i) Stability of Earnings

- A company with stable and consistent earnings is in a better position to declare higher dividends to shareholders.
- On the other hand, a company with fluctuating or unstable earnings tends to retain more earnings and distribute smaller dividends.
- Example: Utility companies with predictable revenue streams often provide higher and stable dividends.

(ii) Taxation Policy

- If dividend tax rates are high, companies may prefer to retain earnings rather than distribute dividends.

- Conversely, if tax rates on dividends are lower, firms are more likely to declare higher dividend payouts.
- Example: Government policies influencing corporate tax rates significantly affect dividend decisions.

Quick Tip

A company's dividend policy depends on earnings stability and tax implications, balancing reinvestment needs and shareholder expectations.

28. Distinguish between 'Money Market' and 'Capital Market' on the following basis:

- (i) Participants**
- (ii) Instruments**
- (iii) Duration**
- (iv) Liquidity**

Solution:

Basis	Money Market	Capital Market
(i) Participants	Institutional participants such as RBI, banks, financial institutions, and finance companies.	Financial institutions, banks, corporate entities, foreign investors, and retail investors from the public.
(ii) Instruments	Deals in short-term debt instruments such as Treasury Bills (T-bills), Trade Bills, Commercial Papers, and Certificates of Deposit.	Trades in medium and long-term securities such as equity shares, debentures, bonds, and preference shares.
(iii) Duration	Money market instruments have a maximum tenure of one year, with some issued for a single day.	Capital market deals in medium and long-term securities, including equity shares and debentures.
(iv) Liquidity	Has a higher degree of liquidity, allowing quick conversion into cash.	Has lower liquidity compared to the money market.

Quick Tip

The money market is ideal for short-term financing, ensuring high liquidity, while the capital market supports long-term investments, promoting economic growth.

29. 'Inaya Ltd.' is a multinational technology company focusing on artificial intelligence, online advertising and search engine technology. The company is generating good profits and takes care of the well-being of its staff. The company offers benefits like car allowance, medical aid, and allowance for children's education to all employees above the Manager's level. It regularly contributes towards the Employees' Provident Fund and pays gratuity on retirement to its employees. Under a special incentive scheme, the employees are offered shares of 'Inaya Ltd.' at a set price which is lower than the market price. Each year, the company keeps aside funds to pay one

percent of base salary as bonus to its employees. No wonder 90% of the employees would recommend working at 'Inaya Ltd.' to a friend.

Explain four incentives being provided by 'Inaya Ltd.' to motivate their employees for better performance.

Solution:

The incentives provided by 'Inaya Ltd.' include:

(i) Perquisites:

Perquisites such as car allowance, housing, and medical aid provide motivation to employees over and above their salary.

(ii) Retirement benefits:

Retirement benefits like provident fund and gratuity provide financial security to employees after retirement, motivating them to stay in the organization.

(iii) Stock option/Co-partnership:

Employees are offered company shares at a set price lower than the market price, creating a sense of ownership and encouraging them to contribute to the growth of the company.

(iv) Bonus:

Bonuses are provided over and above salaries as a reward for good performance, motivating employees to achieve higher results.

Quick Tip

Non-financial and financial incentives both play a key role in motivating employees and fostering loyalty, ensuring their long-term commitment and better performance.

30. Ashwin was a fashion designer. On losing his job, he decided to sell the designer clothes online under the brand name 'Kogue.' The garments were made of good quality fabric with intricate designs and skilled craftsmanship, making them expensive to produce. Realizing that the online market is very competitive, he decided to charge a reasonable price for the garments. The price would cover the cost of production and sale of garments as well as give him a 10% margin over and above the cost.

Identify and explain two factors affecting the price determination discussed in the

above case.

Solution:

The two factors affecting price determination are:

(i) Product cost:

The cost sets the minimum level or the floor price at which the product may be sold.

Generally, all marketing firms strive to cover all their costs, at least in the long run, and aim to earn a profit margin over the costs.

(ii) Extent of competition in the market:

The price will tend to reach the upper limit when there is lesser competition. However, under conditions of free competition, the price will be set at the lowest level. Competitors' prices, their anticipated reactions, quality, and features of the competitive products must be considered before fixing the price of a product.

Quick Tip

Product cost sets the minimum price, while competition can push the price either up or down depending on the market environment.

31. Ashish wanted to purchase one LCD TV for his home. He decided to go to various stores selling electronic items to check the available varieties of different brands. One of his friends took him to a manufacturer selling LCD TV at almost half the price. The manufacturer described its various features and insisted that Ashish buys the LCD TV from him. Seeing the features, Ashish decided to buy the TV from him, even when the TV was not having any standardisation mark on it. When Ashish asked for the cash memo, the manufacturer discouraged him, saying that it will attract additional tax. He further told Ashish not to worry and promised that if there would be any problem with the TV, he would replace it immediately. The TV started malfunctioning within a month and Ashish asked for its replacement. The manufacturer refused to replace the LCD TV, telling him that the problem is due to mishandling of the TV. Ashish decided to file a complaint in the Consumer Court against the manufacturer.

(i) Identify and explain two consumer rights discussed in the above case

Solution:

Right to choose/Right to be assured: The consumer has the freedom to access a variety of products at competitive prices. This implies that the marketers should offer a wide variety of products in terms of quality, brand, prices, size, etc., and allow the consumer to make a choice from among these.

Right to be heard: The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells.

Right to safety: The consumer has a right to be protected against goods and services that are hazardous to life, health, and property. Thus, consumers are educated that they should use electrical appliances that are ISI marked, as this would be an assurance of such products meeting quality specifications.

(ii) State two consumer responsibilities that Ashish did not fulfil while buying the LCD TV.

Solution:

Buy only standardised goods: Ashish did not ensure that the product was standardised and lacked quality assurance, which is essential to guarantee its safety and reliability.

Ask for a cash memo on purchase of goods or services: Ashish did not ask for a proper cash memo, which is a basic consumer responsibility when purchasing goods to ensure that transactions are documented and transparent.

Be honest in your dealings: Ashish did not confirm whether the TV was as per the standard specifications, which could have helped him in avoiding faulty purchases or misleading deals.

Quick Tip

Always verify the product's standardisation marks and request a cash memo to ensure that consumer rights are protected and that the product is safe and authentic.

32(a). Explain the following principles of general management:

(i) Unity of Command

(ii) Equity

(iii) Initiative

Solution:

(i) Unity of Command

- Every employee should have only one superior from whom they receive instructions.
- Dual subordination should be avoided to prevent confusion, inefficiency, and conflicts in task execution.
- This principle ensures clear accountability and better coordination in an organization.

(ii) Equity

- Managers should treat employees with kindness, fairness, and justice.
- There should be no discrimination based on gender, religion, language, caste, belief, or nationality.
- A fair work environment fosters employee loyalty and motivation.

(iii) Initiative

- Initiative refers to employees taking the first step with self-motivation to think creatively and execute plans.
- Organizations should encourage employees to suggest improvements and reward useful suggestions that help in cost and time reduction.

Quick Tip

Unity of command ensures clarity in reporting, **equity** fosters fairness, and **initiative** encourages employee creativity and proactiveness.

32(b). Explain the following points of significance of principles of management:

(i) Meeting Changing Environment Requirements

(ii) Management Training, Education, and Research

(iii) Optimum Utilisation of Resources and Effective Administration

Solution:

(i) Meeting Changing Environment Requirements

- Management principles serve as general guidelines but can be adapted to meet changing

business environments.

- Their flexibility helps managers adjust to new economic, technological, and social challenges.

(ii) Management Training, Education, and Research

- These principles form the foundation of management theory and provide a structured approach to training and education.

- They are used in professional management courses and research, helping develop managerial skills.

- Organizations use these principles to train employees for leadership roles.

(iii) Optimum Utilisation of Resources and Effective Administration

- Organizations have limited resources, so they must be utilized efficiently for maximum benefit at minimum cost.

- Management principles help managers make unbiased and rational decisions, ensuring optimal use of human and material resources.

Quick Tip

Management principles help in adapting to change, enhancing managerial training, and ensuring efficient resource utilization, leading to better decision-making and productivity.

33(a). Distinguish between ‘Functional Structure’ and ‘Divisional Structure’ on any six bases.

Solution:

Basis	Functional Structure	Divisional Structure
Formation	Formed based on business functions (e.g., marketing, finance, production).	Formed based on product lines, supported by functions.
Specialisation	Leads to functional specialisation as employees focus on their specific function.	Leads to product specialisation, as each division handles all aspects of a product line.
Responsibility	Difficult to fix responsibility since multiple functions contribute to outcomes.	Easy to fix responsibility as each division operates independently.
Cost	More economical, as resources are shared across functions.	Costly, due to duplication of resources and infrastructure across divisions.
Coordination	Difficult for a multiproduct company due to interdepartmental dependencies.	Easier, as each product division manages its own operations independently.
Managerial Development	Limited managerial development, as functional managers report to top management.	Better managerial development, as divisional heads have more autonomy and perform multiple functions.

Quick Tip

A Functional Structure is best for single-product firms, ensuring efficiency and cost savings, while a Divisional Structure is ideal for multiproduct firms, promoting product specialization and accountability.

33(b). Explain any four limitations of the 'Planning' function of management.

Solution:

Limitations of Planning:

(i) Planning Leads to Rigidity:

- Once a well-defined plan is in place, managers may hesitate to make changes, even when required.
- This rigidity may lead to inefficiencies and missed opportunities in a dynamic business environment.

(ii) Planning May Not Work in a Dynamic Environment:

- External factors such as market fluctuations, government policies, and technological advancements can render plans ineffective.
- Rigid plans may fail to adapt quickly to unexpected changes.

(iii) Planning Reduces Creativity:

- When employees and managers strictly follow pre-determined plans, innovation and creative problem-solving may be discouraged.
- Employees tend to think in fixed patterns rather than explore new ideas.

(iv) Planning Involves Huge Costs:

- Extensive research, data collection, and forecasting efforts make planning an expensive process.
- The cost of planning may sometimes outweigh the benefits, especially in fast-changing industries.

(v) Planning is a Time-Consuming Process:

- Detailed analysis and decision-making take time, delaying action.
- In fast-moving industries, businesses may lose competitive advantage due to slow execution.

(vi) Planning Does Not Guarantee Success:

- Even the best plans may fail due to poor implementation, unforeseen circumstances, or external factors.
- Planning provides a roadmap but requires effective execution and adaptability for success.

Quick Tip

While planning is essential for goal-setting and direction, businesses must remain flexible to adapt to uncertainties and market changes.

34. Nalini has an online flower and gifts retail business. She has eight outlets in four cities of India. From November to February, during the wedding season, the demand shoots up. She coordinates the efforts of her staff in a conscious and deliberate manner and plans for the wedding season demand in the month of June itself. She ensures that there is adequate workforce and continuously monitors whether work is proceeding according to plans. She also briefs the marketing department in time to prepare their promotional and advertising campaigns. Thus, her coordination with all departments of the organization begins at the planning stage and continues till controlling. This acts as a binding force between the departments and ensures that all action is aimed at achieving organizational goals. As a result, Nalini is able to give a common focus to group effort to ensure that the business is performing as planned, year after year. Quoting lines from the above paragraph, identify and explain four features of an important concept of management highlighted in the above case

Solution: The features of coordination highlighted in the above case are:

(i) Coordination is a deliberate function:

‘She coordinates the efforts of her staff in a conscious and deliberate manner and plans for the wedding season demand in the month of June itself.’

A manager has to coordinate the efforts of different people in a conscious and deliberate manner.

(ii) Coordination is a continuous process:

‘Thus, her coordination with all departments of the organization begins at the planning stage and continues till controlling.’

Coordination is not a one-time function but a continuous process that begins at the planning stage and continues till controlling.

(iii) Coordination ensures unity of action:

‘This acts as a binding force between the departments and ensures that all action is aimed at achieving organizational goals.’ The purpose of coordination is to secure unity of action in the realization of a common purpose.

(iv) Coordination integrates group efforts:

‘Nalini is able to give a common focus to group effort to ensure that the business is

performing as planned, year after year.' Coordination unifies unrelated or diverse interests into purposeful work activity.

Quick Tip

Coordination ensures alignment of individual actions towards common goals, promoting unity and organizational efficiency.
