

## CBSE 12 Business Studies (66/2/3) 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. \_\_\_\_\_ 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.

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**2. ‘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.

**3. 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.

**4. 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.

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**5. '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.

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**6. '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.

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**7. 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.

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**8. 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.

**9. 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.

**10. 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.

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**11. 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.

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**12. 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.

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**13. '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.

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**14. '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.

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**15. .... 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.

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**16. 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.

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**17. '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.

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**18. 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.

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**19. 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.

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**20. 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.

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**21. 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% 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.

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**22. (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.

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**22(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.

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**23(a). Explain any three points of importance of the Controlling function of management.**

**Solution:**

**Importance of Controlling:** (Any three)

**(i) Accomplishing Organisational Goals:**

- Controlling helps in aligning actual performance with planned objectives, ensuring that organizational goals are achieved efficiently.

**(ii) Making Efficient Use of Resources:**

- Through effective control measures, wastage of resources is minimized, ensuring their optimal utilization for higher productivity.

**(iii) Ensuring Order and Discipline:**

- A strong control system establishes rules and procedures, preventing misconduct and fostering discipline within the organization.

**(iv) Improving Employee Motivation:**

- Controlling provides performance feedback, recognizing employees' efforts and motivating them towards higher efficiency.

**(v) Judging Accuracy of Standards:**

- By continuously comparing actual results with set standards, controlling helps in evaluating the feasibility and relevance of objectives.

**(vi) Facilitating Coordination in Action:**

- Control ensures coordination among different departments by aligning their activities with the organizational objectives.

**Quick Tip**

Controlling is essential for goal achievement, efficient resource utilization, discipline, and coordination, ensuring continuous organizational improvement.

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

**Solution:**

**Relationship between Planning and Controlling:** (Any three)

**(i) Planning Without Controlling is Meaningless, and Controlling is Blind Without**

**Planning:**

- Once a plan is implemented, controlling is necessary to monitor progress, measure performance, detect deviations, and take corrective actions.
- Without planning, controlling has no benchmarks to measure performance, making it ineffective.

**(ii) Planning is a Prerequisite for Controlling, While Controlling Ensures Execution of Plans:**

- Planning sets predetermined performance expectations, while controlling ensures that actual performance aligns with these plans.
- Controlling helps in identifying deviations and making necessary corrections to stay on track with the planned objectives.

**(iii) Planning is Prescriptive, While Controlling is Evaluative:**

- Planning involves defining the course of action for future activities, while controlling evaluates whether the plan is being followed effectively.
- Planning prescribes actions, whereas controlling measures and corrects deviations to ensure success.

**(iv) Planning is Forward-Looking, While Controlling is Looking Back:**

- Planning involves anticipating future needs and conditions, making it a forward-looking function.
- Controlling, on the other hand, analyzes past performance to identify shortcomings and improve future outcomes.

**(v) Controlling is Forward-Looking, While Planning is Looking Back:**

- Controlling not only corrects past mistakes but also prepares for future improvements.
- Planning is often guided by past experiences, helping managers learn from previous outcomes to design better strategies.

**Quick Tip**

**Planning and controlling are interdependent;** planning provides objectives, while controlling ensures these objectives are met through monitoring and corrective actions.

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**24. 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.

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**(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.

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**25. 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.

**26(a). Explain 'Promotions' and 'Transfers' as internal sources of recruitment.**

**Solution:**

**Internal Sources of Recruitment:**

**(i) Promotions:**

- Promotion refers to the vertical movement of an employee to a higher position with greater responsibility, status, pay, and benefits.
- It serves as a motivational tool, enhancing employees' loyalty, job satisfaction, and commitment towards the organization.

**(ii) Transfers:**

- Transfer involves the horizontal movement of an employee from one job to another or from one department to another without a significant change in status, pay, or responsibilities.
- It helps in balancing workforce requirements by moving employees from overstaffed to understaffed departments, avoiding termination, and resolving employee grievances.

**Quick Tip**

**Promotions** enhance motivation and career growth, while transfers help in workforce balance and problem resolution within the organization.

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**26(b). State any four limitations of internal sources of recruitment.**

**Solution:**

**Limitations of Internal Sources of Recruitment:**

**(i) Reduced Scope for Fresh Talent:**

- Excessive dependence on internal recruitment limits new talent acquisition, leading to inbreeding and reducing innovation and diversity.

**(ii) Employee Complacency:**

- Employees may become lethargic and less competitive if they are assured of time-bound promotions without strong performance incentives.

**(iii) Unsuitable for New Enterprises:**

- Startups and new enterprises cannot rely on internal recruitment as they lack an existing workforce for internal promotions or transfers.

**(iv) Hampered Competitive Spirit:**

- Over-reliance on internal hiring may reduce the spirit of competition among employees, as external candidates with diverse skills and experiences are not considered.

**(v) Frequent Transfers May Lower Productivity:**

- Continuous transfers may disrupt workflow and employee efficiency, affecting overall productivity and job performance.

**Quick Tip**

While internal recruitment is cost-effective and motivating, over-reliance on it limits fresh talent, reduces competitiveness, and can impact organizational productivity.

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

**(i) Growth Prospects**

**(ii) Diversification**

**Solution:**

**(i) Growth Prospects**

- Organizations with higher growth potential generally require greater investment in fixed assets.
- If a company expects increased future demand, it must expand its infrastructure and production capacity, leading to higher fixed capital requirements.

**(ii) Diversification**

- A firm may choose to diversify its operations to enter new markets or expand product offerings.
- With diversification, fixed capital requirements rise as new business operations require additional investment in fixed assets, such as land, machinery, and infrastructure.

**Quick Tip**

Companies with higher growth prospects and diversified operations need larger fixed capital investments to support their expansion strategies.

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

**(i) Stock Market Reaction**

**(ii) Access to Capital Market**

**Solution:**

**(i) Stock Market Reaction**

- Investors generally view an increase in dividends as a positive sign, which boosts their confidence in the company.
- A rise in dividends often leads to an increase in stock prices, influencing the company's market valuation.
- Since dividends affect share price movements, management carefully considers the impact of dividend policy before making a decision.

**(ii) Access to Capital Market**

- Large, well-established companies have easier access to the capital market, enabling them to raise funds externally.
- Such companies depend less on retained earnings and can afford to pay higher dividends.
- In contrast, smaller companies with limited capital market access may retain more earnings to finance their growth.

**Quick Tip**

A company's dividend policy is influenced by stock market reactions and its ability to raise external funds, affecting investor confidence and financial decisions.

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**28. 'The stock exchange performs many vital functions in today's commercial world.'**

**Explain any four such functions.**

**Solution:**

**Functions of Stock Exchange:**

**(i) Providing Liquidity and Marketability to Existing Securities:**

- The stock exchange provides a ready market where investors can buy and sell securities at any time.
- It ensures continuous trading, giving liquidity to investments and allowing investors to

convert securities into cash easily.

**(ii) Pricing of Securities:**

- The stock exchange determines the market price of securities based on supply and demand forces.
- This price discovery mechanism helps investors make informed decisions.

**(iii) Safety of Transaction:**

- Stock exchanges operate under strict government regulations and monitoring, ensuring transparency and security.
- Investors can trade with confidence, knowing that fraudulent practices are minimized.

**(iv) Contribution to Economic Growth:**

- Stock exchanges facilitate capital formation by channelizing savings into productive investments.
- They help companies raise funds for expansion, leading to industrial development and economic growth.

**(v) Spreading of Equity Cult:**

- The stock exchange promotes investment awareness among individuals, encouraging them to invest in equities.
- It fosters a culture of investment and wealth creation in the economy.

**(vi) Providing Scope for Speculation:**

- Stock exchanges allow speculative activities, which help maintain liquidity and stabilize prices.
- However, speculation is regulated to prevent excessive risks and market manipulation.

**Quick Tip**

Stock exchanges enhance liquidity, ensure fair pricing, provide investment security, and contribute to economic growth, making them essential to the financial system.

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**29. '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.

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**30. '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.

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**31. 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.**

**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.

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**32(a). Explain the following techniques of Scientific Management:**

**(i) Fatigue Study**

### **(ii) Differential Piece Wage System**

### **(iii) Standardisation and Simplification of Work**

#### **Solution:**

#### **(i) Fatigue Study**

- Fatigue Study determines the amount and frequency of rest intervals required while completing a task.
- Proper rest intervals help workers regain stamina, leading to higher productivity and efficiency.
- It ensures that workers do not experience physical or mental exhaustion, maintaining steady performance levels.

#### **(ii) Differential Piece Wage System**

- This system differentiates between efficient and less efficient workers by offering higher wages to productive workers.
- It encourages higher efficiency and motivation among workers by providing an incentive to improve performance.
- There are two piece rates: - Higher wage rate for those who meet or exceed the standard output. - Lower wage rate for those who fail to meet the standard output.

#### **(iii) Standardisation and Simplification of Work**

- Standardisation involves setting uniform standards for processes, raw materials, time, machinery, and working conditions.
- Simplification eliminates unnecessary variations in product designs, sizes, and dimensions, ensuring efficiency and cost reduction.
- Together, these techniques improve consistency, reduce wastage, and enhance productivity.

#### **Quick Tip**

Scientific management techniques like Fatigue Study, Differential Wage System, and Standardisation help in boosting efficiency, reducing fatigue, and increasing overall productivity.

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

**(i) General Guidelines**

**(ii) Cause and Effect Relationship**

**(iii) Universal Applicability**

**Solution:**

**(i) General Guidelines**

- Principles of management provide broad guidelines but do not offer ready-made solutions to every problem.
- This is because real business scenarios are dynamic and complex, influenced by multiple factors.
- Managers use these guidelines to adapt to different situations and make strategic decisions.

**(ii) Cause and Effect Relationship**

- Management principles help establish a cause-and-effect relationship between different business activities.
- They enable managers to predict outcomes when a particular principle is applied in a given situation.
- However, since business environments vary, the effect of applying a principle may not always be identical in all cases.

**(iii) Universal Applicability**

- Management principles are applicable across all types of organizations, including business and non-business sectors.
- They are relevant to organizations of all sizes, whether small or large, public or private, manufacturing or service-based.
- However, their application varies depending on the nature of the organization, industry, and operational scale.

**Quick Tip**

Management principles serve as guidelines for decision-making, ensuring effective planning, execution, and adaptation across all types of organizations.

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**33(a). ‘The process of organising involves a series of steps in order to achieve the**

**desired goals.’ Explain these steps.**

**Solution:**

**Steps in the Process of Organising:**

**(i) Identification and Division of Work:**

- The total workload of an organisation is divided into smaller tasks for efficiency.
- Specialisation is encouraged by assigning specific tasks to individuals based on their expertise.

**(ii) Departmentalisation:**

- Similar activities are grouped together into departments such as finance, marketing, production, etc.
- This ensures better coordination and a clear distinction between responsibilities.

**(iii) Assignment of Duties:**

- After departments are formed, specific tasks are assigned to individuals.
- The assignment considers skills, qualifications, and job roles, ensuring effective performance.

**(iv) Establishing Authority and Reporting Relationships:**

- A clear hierarchy is established, defining who reports to whom.
- This step ensures smooth communication, accountability, and coordination within the organisation.

**Quick Tip**

A well-structured organising process ensures specialisation, clarity in responsibilities, and smooth coordination, leading to better efficiency in an organisation.

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

**Solution:**

**Features of Planning:**

**(i) Planning Focuses on Achieving Objectives:**

- Planning provides a roadmap for achieving organisational goals.

- It ensures that all efforts are directed towards the defined objectives.

**(ii) Planning is a Primary Function of Management:**

- Planning is the first and foremost function of management, as it lays the foundation for all other functions.

- It defines what is to be done, when, how, and by whom.

**(iii) Planning is Pervasive:**

- It is required at all levels of management, from top-level to lower-level executives.

- Every department, whether finance, marketing, or HR, needs planning to operate efficiently.

**(iv) Planning is Continuous:**

- Planning is an ongoing process as business environments keep changing.

- Modifications and adjustments are necessary based on evolving conditions.

**(v) Planning is Futuristic:**

- It involves forecasting future events and trends to prepare accordingly.

- Effective planning helps in minimising uncertainties and handling risks proactively.

**(vi) Planning Involves Decision-Making:**

- Planning requires managers to evaluate multiple alternatives before selecting the best course of action.

- Rational decision-making ensures optimal resource utilisation.

**(vii) Planning is a Mental Exercise:**

- Planning is an intellectual activity that requires logical thinking, foresight, and analytical skills.

- It is based on facts, experience, and market analysis, rather than mere guesswork.

**Quick Tip**

**Planning** ensures goal-oriented decision-making, proactive risk management, and continuous improvement, making it a critical management function.

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**34. 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 buy 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.

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