

CBSE 12 Business Studies (66/4/3) 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. Read the following statements Assertion (A) and Reason (R). Choose the correct option from the given options. Assertion (A): Amount of Earnings is a major determinant of the decision about dividend. Reason (R): Dividends are paid out of current and past earnings.

(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:

- Earnings are the primary source for paying dividends, as dividends are distributed from current or retained earnings.

- The amount of earnings available determines whether a company can pay dividends while retaining enough for future investments.

Quick Tip

Earnings play a crucial role in determining dividend policies, balancing shareholder returns and reinvestment needs.

2. Choose the incorrect statement with respect to levels of management from the following:

(A) Operational level management is responsible for maintaining safety standards in the organisation.

(B) At middle level management, managers ensure that their department has the necessary personnel.

(C) Chief Executive Officer at Top Level management is responsible for all activities of first line managers.

(D) Top level management is responsible for all the activities of the business and for its

impact on society.

Correct Answer: (A) Operational level management is responsible for implementing and controlling plans and strategies developed by top management.

Solution:

The incorrect statement is (A) because:

- **Operational level management** is responsible for overseeing day-to-day operations, ensuring smooth and efficient production or service delivery. It does not handle the development or control of broad organizational strategies. Instead, top-level management is responsible for formulating plans and strategies, and middle management is responsible for implementing those strategies.

The other statements are correct:

(B) Middle-level management indeed interprets and implements the policies framed by top management.

(C) Operational level management, with the help of supervisors, works towards minimizing wastage and improving efficiency.

(D) Top-level management is indeed responsible for the welfare and survival of the organization.

Quick Tip

Levels of management have distinct roles: Top-level sets strategies, middle-level coordinates departments, and operational level executes tasks.

3. ‘Merely allocating work is not enough. Each individual should also know who he has to take orders from and to whom he is accountable.’ The above statement is related to one of the steps of the organising process. Identify the step from the following:

- (A) Identification and division of work
- (B) Departmentalisation
- (C) Assignment of duties
- (D) Establishing authority and reporting relationship

Correct Answer: (D) Establishing authority and reporting relationship

Solution:

- **Establishing authority and reporting relationship** is an essential step in the organizing process.
- It ensures that each employee knows their reporting authority and who they are accountable to.
- This step creates a structured hierarchy, ensuring clarity in decision-making and accountability.

Quick Tip

Clear authority and reporting relationships enhance efficiency by minimizing confusion and duplication of efforts.

4. A multinational sweets and snacks company had been into catering business for the last many years. To add to its prospects and to grow in the long run, it wants to increase its sales volume, the number of products, and capital investment. The organisational objective of management it seeks to achieve is:

- (A) Survival
- (B) Profit
- (C) Growth
- (D) Corporate Social Responsibility

Correct Answer: (C) Growth

Solution:

- The organizational objective of **growth** focuses on increasing the scale of operations, including sales volume, product range, and capital investment.
- In this case, the company seeks to expand its business to ensure long-term sustainability and market leadership.

Quick Tip

Growth ensures that the organization capitalizes on opportunities and remains competitive in the long run.

5. Rajat was carrying on a business of manufacturing plastic disposables like plastic plates, plastic cups, and plastic straws. He heard about the upcoming ban on single-use plastics. He was able to identify this external environmental trend which could hinder his firm's performance. So, he took action and shifted to manufacturing the plates, cups, and straws from bamboo and palm leaves. As a result, his business not only survived but was able to generate profit. The point of importance of Business Environment highlighted above is:

- (A) It enables the firm to identify opportunities and getting the first-mover advantage.
- (B) It helps the firm to identify threats and early warning signals.
- (C) It helps in tapping useful resources.
- (D) It helps in assisting in planning and policy formulation.

Correct Answer: (B) It helps the firm to identify threats and early warning signals.

Solution:

- The **business environment** helps firms recognize potential threats and take corrective action to mitigate risks.
- Rajat identified the ban on single-use plastics as a threat and took proactive measures to shift to eco-friendly alternatives like bamboo and palm leaves.
- Early identification of threats enabled him to sustain and grow his business despite regulatory changes.

Quick Tip

Analyzing the business environment helps firms identify both opportunities and threats, enabling timely and strategic decisions.

6. _____ is the process by which a manager synchronises the activities of different departments.

- (A) Management
- (B) Planning
- (C) Co-ordination

(D) Directing

Correct Answer: (C) Co-ordination

Solution:

- **Co-ordination** is the process of aligning the activities of various departments and individuals to ensure they work towards common objectives.
- It ensures that efforts across the organisation are integrated to avoid duplication and conflicts.

Quick Tip

Co-ordination is a key function of management that ensures harmony among different departments for effective performance.

7. Lyka Ltd. launched its new range of herbal shampoos at the beginning of the year. As per legal framework, Lyka Ltd. provided the name and address of the manufacturer, the weight, manufacturing date, expiry date, maximum retail price, etc., on the package and label of the herbal shampoo. The consumer right highlighted above is:

- (A) Right to choose
- (B) Right to be informed
- (C) Right to consumer education
- (D) Right to safety

Correct Answer: (B) Right to be informed

Solution:

- **Right to be informed:** This right ensures that consumers are provided with complete and accurate information about the product they are purchasing.
- In this case, Lyka Ltd. adhered to the legal framework by providing details such as the manufacturer's name and address, product weight, manufacturing and expiry dates, and maximum retail price. This helps consumers make an informed choice about the product.
- Providing such information fosters trust and transparency between the manufacturer and the consumer.

Quick Tip

Always check product labels for key details such as expiry date, price, and manufacturing information to make informed purchases.

8. _____ is the step in the controlling process where standards may have to be revised in case the deviation cannot be corrected through managerial action.

- (A) Setting Performance Standards
- (B) Measurement of Actual Performance
- (C) Comparing Actual Performance with standards and analysing deviation
- (D) Taking Corrective Action

Correct Answer: (D) Taking Corrective Action

Solution:

- **Taking corrective action** involves making necessary adjustments when significant deviations occur and cannot be corrected by other managerial actions.
- This step ensures that performance standards are achieved and prevents similar deviations in the future.

Quick Tip

Effective corrective action focuses on identifying root causes and implementing solutions to align performance with standards.

9. Match the functions of Securities and Exchange Board of India given in Column-I with their headings given in Column-II:

Column - I	Column - II
A. Training of intermediaries of securities markets	(i) Regulatory function
B. Regulation of takeover bids by companies	(ii) Protective function
C. Controlling insider trading and imposing penalties for such practices	(iii) Development function

(A) A(ii); B(iii); C(i)

(B) A(i); B(ii); C(iii)

(C) A(iii); B(i); C(ii)

(D) A(iii); B(ii); C(i)

Correct Answer: (C) A(iii); B(i); C(ii)

Solution:

- **A (iii):** Training of intermediaries falls under the **Development function** as it aims to enhance the efficiency of market participants by providing them with the necessary skills.
- **B (i):** Regulation of takeover bids is a **Regulatory function** since SEBI ensures fair and transparent market practices to protect investors and maintain order.
- **C (ii):** Controlling insider trading and imposing penalties for such practices is a **Protective function** as it safeguards investors from fraudulent and unfair practices in the securities market.

Quick Tip

SEBI's primary functions include regulation (to ensure market fairness), development (to enhance skills), and protection (to safeguard investors).

10. 'It is a process that allocates or directs funds available for investment into their most productive instrument opportunity.' This is known as:

- (A) Financial Planning
- (B) Financial Intermediation
- (C) Allocative Function
- (D) Capital Budgeting

Correct Answer: (B) Financial Intermediation

Solution:

- Financial intermediation refers to the process of transferring funds from savers to borrowers or investors.
- It ensures that the funds are directed toward the most productive investment opportunities in the economy.
- Examples include banks, mutual funds, and insurance companies, which facilitate the allocation of resources efficiently.

Quick Tip

Financial intermediation bridges the gap between surplus and deficit sectors, promoting economic growth and productivity.

19. Statement-I: That part of a brand which can be spoken is called a brand name.

Statement-II: That part of the brand which is given legal protection is called

Trademark. Choose the correct option from the following:

- (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:** A brand name refers to the part of a brand that can be spoken, such as the name of a product or service. For example, "Nike" or "Apple" are brand names. This statement is true.
- **Statement-II:** A trademark is a part of the brand that is legally protected. It includes symbols, designs, or words that distinguish a product or service. For example, the Nike swoosh is a trademark. This statement is also true.

Quick Tip

A brand name is verbal and easy to identify, while a trademark provides legal protection to the brand's unique identity.

12. _____ is the process of holding securities in electronic form.

- (A) Financial Intermediation
- (B) Dematerialisation
- (C) Allocative Function
- (D) Mobilisation of Securities

Correct Answer: (B) Dematerialisation

Solution:

- **Dematerialisation** refers to converting physical securities into electronic form for easier storage and trading.
- This process reduces the risks associated with physical certificates, such as loss, theft, or forgery, and enhances the efficiency of securities transactions.

Quick Tip

Dematerialisation simplifies securities trading, making it secure and efficient by eliminating the need for physical certificates.

13. Payal was working in a Multinational Company. Her father gifted her a smartphone worth 40,500 on her birthday. The mobile phone was purchased by her father from his friend's shop. After a few months, the mobile phone started creating problems. Payal tried to contact the manufacturer many times, but he did not respond. Ultimately, Payal decided to file a complaint against the manufacturer. The appropriate grievance redressal machinery where Payal can file a complaint is:

- (A) District Forum/Commission
- (B) State Commission
- (C) National Commission
- (D) Supreme Court

Correct Answer: (A) District Forum/Commission

Solution:

- Complaints under the Consumer Protection Act are filed based on the value of goods and compensation claimed.
- Since the value of the phone is 40,500, Payal can approach the **District Forum/Commission**, which handles cases where the compensation value is up to 50,00,000.
- Higher-value complaints would require filing at the State or National Commission, depending on the amount.

Quick Tip

Choose the grievance redressal forum based on the value of the claim: District Forum (up to 50,00,000), State Commission (50,00,001 to 2 Crore), and National Commission (above 2 Crore).

14. Which of the following is NOT a feature of Directing function of management?

- (A) Directing initiates Action.
- (B) Directing takes place at every level of management.
- (C) Directing ensures that activities are performed as per plans.
- (D) Directing flows from top to bottom.

Correct Answer: (C) Directing ensures that activities are performed as per plans.

Solution:

- While directing ensures that employees perform their tasks, it does not explicitly focus on ensuring activities are performed as per plans. This is part of the **controlling function**.
- Directing involves guiding, supervising, and motivating employees to achieve organizational objectives.

Quick Tip

Directing focuses on motivating and guiding employees, while controlling ensures that activities align with organizational plans.

16. 'Marbury Biscuits' launched its new range of oat cookies in three varieties. They decided to distribute free samples of their biscuits in schools as a part of their promotional campaign. Identify the tool of promotion used by 'Marbury Biscuits':

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

Correct Answer: (C) Sales Promotion

Solution:

- **Sales promotion** includes short-term incentives like free samples, discounts, or offers to boost immediate sales.
- In this case, free samples distributed in schools aim to introduce the product and encourage customers to try it.

Quick Tip

Sales promotion is an effective tool for creating awareness and encouraging trial purchases in new product launches.

16. Which of the following is an advantage of Informal Organisation?

- (A) It provides stability to the organisation because behaviour of employees can be fairly predicted since there are specific rules to guide them.
- (B) It leads to effective accomplishment of goals by providing a framework for the operations to be performed.
- (C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like-minded people.
- (D) It helps in avoiding duplication of efforts as there is no ambiguity in the role that each member has to play.

Correct Answer: (C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like-minded people.

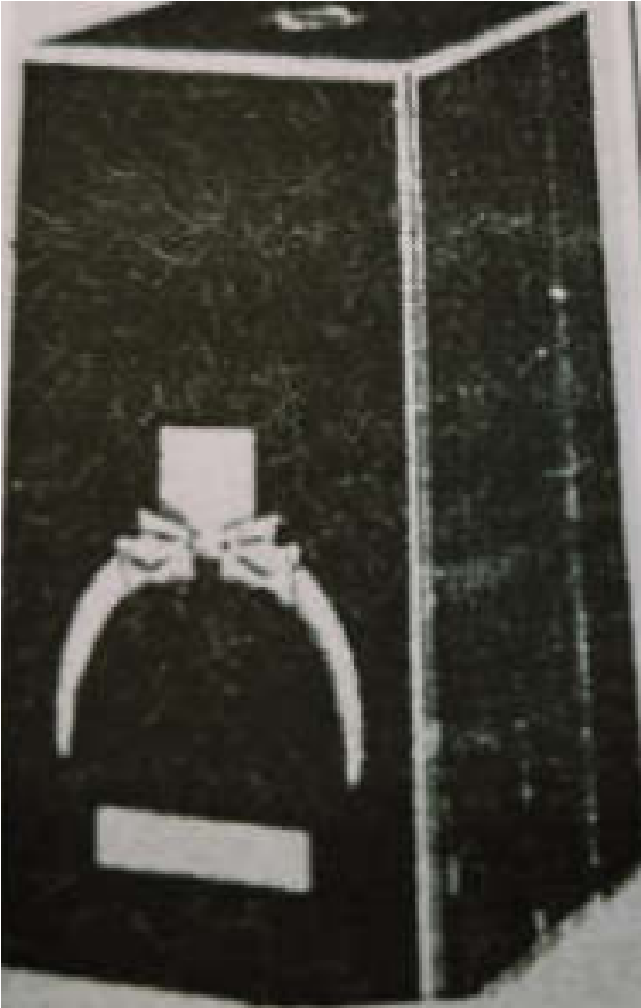
Solution:

- Informal organisations help employees form social relationships, which improve their sense of belongingness and job satisfaction.
- These networks complement the formal organisation by fostering communication and cooperation among employees.

Quick Tip

Informal organisations improve morale and communication but must be managed carefully to avoid disruptions.

17. The picture given below is the package of a perfume bottle: Identify the level of packaging of the box shown above:



- (A) Primary package
- (B) Secondary packaging
- (C) Transportation packaging
- (D) Both (A) and (B)

Correct Answer: (B) Secondary packaging

Solution:

- **Primary packaging** refers to the immediate container that holds the product, such as the perfume bottle itself.
- **Secondary packaging** is the outer box or wrapping that provides additional protection, helps in branding, and makes the product ready for display on retail shelves. The box shown

in the image is an example of secondary packaging.

- **Transportation packaging** refers to bulk packaging used to transport goods securely. This is not relevant to the given question.

Quick Tip

Secondary packaging enhances product appeal and provides additional protection, while primary packaging directly contains the product.

18. Statement - I: Business Environment is dynamic as it differs from country to country. Statement II: Business Environment is largely uncertain as it is very difficult to predict future happenings. Choose the correct option from the following:

- (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: (B) Statement II is true and Statement I is false

Solution:

- **Statement I:** The business environment is dynamic due to the constantly changing political, economic, social, and technological factors. However, its characteristics remain consistent across countries, making this statement false.

- **Statement II:** The business environment is uncertain because external changes like economic shifts or political decisions are often unpredictable. This makes the statement true.

Quick Tip

The business environment is dynamic and uncertain, requiring businesses to be adaptive and proactive in their planning.

19. Which of the following is NOT a feature of demonetisation?

- (A) It leads to the creation of a less-cash or cashless economy by channeling more savings through the formal financial system and improving tax compliance.

(B) It is interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted.

(C) It is viewed as a tax administration measure.

(D) It led to tax administration channelising savings away from the formal financial system.

Correct Answer: (D) It led to tax administration channelising savings away from the formal financial system.

Solution:

- Demonetisation was aimed at reducing reliance on cash transactions and promoting digital payments, which strengthens the formal financial system.
- Option (D) contradicts this objective, as demonetisation encouraged savings to be directed towards the formal economy rather than away from it.
- It also aimed to improve tax compliance by reducing tax evasion and discouraging the circulation of black money.

Quick Tip

Demonetisation encourages digital transactions and formalizes the economy, leading to better tax compliance and transparency.

20. _____ is the process of holding securities in electronic form.

(A) Financial Intermediation

(B) Dematerialisation

(C) Allocative Function

(D) Mobilisation of Securities

Correct Answer: (B) Dematerialisation

Solution:

- **Dematerialisation** refers to converting physical securities into electronic form for easier storage and trading.
- This process reduces the risks associated with physical certificates, such as loss, theft, or forgery, and enhances the efficiency of securities transactions.

Quick Tip

Dematerialisation simplifies securities trading, making it secure and efficient by eliminating the need for physical certificates.

21(a). 'Planning and controlling are inseparable twins of management'. Explain with the help of any three points.

Solution:

Planning and controlling are closely related functions of management. The relationship can be explained as follows:

1. Planning without controlling is meaningless, and controlling is blind without planning:

Once a plan is operational, controlling ensures monitoring progress, measuring deviations, and initiating corrective actions. Controlling depends on the standards set by planning. Thus, planning and controlling complement each other.

2. Planning is a prerequisite for controlling:

Controlling ensures that events conform to the plan. Without planning, there are no benchmarks to measure or evaluate performance.

3. Planning is forward-looking, while controlling is both backward and forward-looking:

Planning involves looking ahead, forecasting future conditions, and setting objectives. Controlling evaluates past performance to improve future outcomes.

Quick Tip

Planning sets the foundation for goals, while controlling ensures adherence to plans and continuous improvement.

21(b). Explain 'Critical Point Control' and 'Management by Exception' as discussed in the controlling process.

Solution:

1. Critical Point Control:

Control should focus on key result areas (KRAs) that are critical to the success of an organisation. These KRAs are identified as critical points. If anything goes wrong at these critical points, the entire organisation may suffer. Focusing on KRAs ensures that the organisation's resources are directed toward achieving the most significant objectives.

2. Management by Exception:

Management by exception, also known as control by exception, is based on the belief that trying to control everything results in controlling nothing. Instead, only significant deviations that go beyond the permissible limits should be brought to the management's notice. This approach allows managers to focus on critical issues rather than routine matters, improving efficiency and decision-making.

Quick Tip

Both 'Critical Point Control' and 'Management by Exception' help organisations prioritize key areas and avoid wasting resources on minor or non-essential issues.

22. (a) Distinguish between 'Capital Market' and 'Money Market' on the basis of:

- (i) Participants
- (ii) Investment Outlay
- (iii) Expected Return

Solution:

The distinction between **Capital Market** and **Money Market** is as follows:

Basis	Capital Market	Money Market
Participants	The participants are financial institutions, banks, corporate entities, foreign investors, and ordinary retail investors from members of the public.	The participants are institutional participants such as the RBI, banks, financial institutions, and finance companies.
Investment Outlay	Securities do not necessarily require a huge financial outlay.	Transactions entail huge sums of money as the instruments are quite expensive.
Expected Return	Generally yields a higher return for investors than the money market.	Generally yields a lower return for investors than the capital market.

Quick Tip

The capital market is for long-term investments with higher returns, while the money market is for short-term liquidity with lower returns.

22. (b) Explain the following as factors affecting 'Long-term Investment Decision':

- (i) Cash flows of the project
- (ii) The investment criteria involved

Solution:

(i) Cash Flows of the Project

When a company makes an investment decision involving a significant amount, it expects to generate cash flows over a period of time.

These cash flows consist of a series of cash receipts and payments occurring over the life of the investment.

(ii) The Investment Criteria Involved

Investment decisions involve several calculations regarding the amount of investment, interest rate, expected cash flows, and rate of return.

Various techniques, known as capital budgeting techniques, are used to evaluate these

investment proposals.

Quick Tip

Evaluate long-term investments by analysing expected cash flows and using capital budgeting techniques like NPV or IRR.

23. Three friends, Aman, Ashish, and Ashi, after completing their MBA from a reputed management institute, formed a startup named 'Solutions'. The goal of the startup was to make a social and environmental impact through its services. 'Solutions' supports social business ideas to improve living conditions in slums of Mumbai. As all the three friends are specialised in social work, they adopted three different slums of Mumbai and started educating the slum dwellers in their own creative manner. Aman used 'playway method', Ashish used 'music' as a method of learning while Ashi used 'activity-based method of learning'. They used basic knowledge in their unique manner and were able to educate the slum dwellers.

It implies that skillful and personal application of acquired knowledge varies from individual to individual in achieving desired results.

(a) Identify and state the nature of management discussed in the above case.

Solution: The nature of management discussed in the case is **Management as an Art**.

Management as an art involves the skillful and personalized application of knowledge to achieve desired results. In this case, Aman, Ashish, and Ashi used their creative methods to educate slum dwellers, showcasing the artistic aspect of management.

Quick Tip

Management as an art is about personalizing acquired knowledge with creativity and skill to solve real-world problems effectively.

(b) Quoting lines from the above paragraph, state any two features of the nature of management identified in (a) above.

Solution:

Feature 1: Personalised Application “They used basic knowledge in their unique manner and were able to educate the slum dwellers.” This shows that managers apply their knowledge and skills based on individual situations and requirements.

Feature 2: Based on Practice and Creativity “They adopted three different slums of Mumbai and started educating the slum dwellers in their own creative manner.” This highlights that management as an art requires creativity and practice to address specific challenges effectively.

Quick Tip

When discussing features of management as an art, focus on creativity, personalized application, and practical execution in diverse situations.

24. TThe rapid changes having taken place in the society have created pressure on organisations to readapt its products, type of jobs required and type of skills necessary to complete these jobs. To keep up pace with the rapid changes in the business environment, 'Suzon cars', a company manufacturing automobiles for the last thirty years decided to start manufacturing electric cars with Artificial Intelligence technology. With the introduction of Artificial Intelligence, the company had to improve the knowledge and skills of its employees. They wanted that all their employees improve their performance on the current job and are prepared for any intended job in future. This way they would not only be able to increase their knowledge and skills but would also improve their performance. By doing this, the organisation too would get various benefits.

(a) Identify the concept discussed above which would help the employees to do the job in a better way using Artificial Intelligence Technology.

Solution:

The concept discussed is **Training**, which helps employees improve their performance and prepare for future challenges.

Quick Tip

Training is key to enhancing employee skills and adapting to technological advancements, such as Artificial Intelligence.

(b) State any five benefits of the concept identified in (a) above to the organisation.

Solution:

The benefits of training to an organisation are:

1. Training provides systematic learning, reducing wastage of time, effort, and resources compared to trial-and-error methods.
2. It enhances employee productivity in terms of quality and quantity, leading to higher profits.
3. Training equips employees to handle future managerial roles effectively during emergencies.
4. It boosts employee morale, reducing absenteeism and turnover rates.
5. It helps the organisation adapt to technological and economic changes efficiently.

Quick Tip

Invest in training programs to boost productivity, improve employee retention, and future-proof your organisation.

25. (a) Give the meaning of ‘Leadership’ and ‘Communication’ as elements of the directing function of management.

Solution:

Leadership:

Leadership is the process of influencing the behaviour of people by motivating them to voluntarily strive towards achieving organisational goals.

It also indicates the ability of an individual to maintain good interpersonal relations with followers and inspire them to contribute to the organisation’s objectives.

Communication:

Communication is understood as the process of exchanging ideas, views, facts, and feelings between individuals to reach a common understanding.

It involves the exchange of information between two or more persons, ensuring clarity and alignment in achieving organisational goals.

Quick Tip

Leadership inspires teams to achieve goals, while communication ensures clarity and alignment in organisational efforts.

25. (b) Explain the following as Semantic barriers to communication:

- (i) Faulty Translations
- (ii) Unclarified Assumptions

Solution:**(i) Faulty Translations:**

Sometimes, communications originally drafted in one language need to be translated into a language understandable to workers.

If the translator is not proficient in both languages, errors may occur, causing the communication to convey a different meaning than intended.

(ii) Unclarified Assumptions:

Certain communications may include assumptions that are open to multiple interpretations. If these assumptions are not clarified, subordinates may interpret them differently, leading to misunderstandings and inefficiencies.

Quick Tip

To overcome semantic barriers, ensure accurate translations and clarify assumptions to prevent misinterpretation.

26. Kaysons Ltd. was a reputed company manufacturing automotive parts for electric

vehicles. With growing demand for electric vehicles, Kaysons Ltd. required more capital to meet the increased demand for automotive parts. Atul, the Finance Manager, suggested raising funds through a public issue of shares as the stock market was bullish. Although this process would reduce the management's holding and involve significant expenditure, the Chief Executive Officer agreed. The public issue of shares was made in compliance with Securities and Exchange Board of India (SEBI) guidelines. Identify and state four factors affecting the choice of capital structure being discussed above.

Solution:

1. Stock Market Conditions:

If the stock market is bullish, companies prefer raising equity capital as shares can be sold more easily, often at a higher price. This is why Kaysons Ltd. opted for a public issue of shares.

2. Control:

Issuing additional equity reduces the existing management's holding in the company, potentially diluting control over business decisions.

3. Floatation Costs:

Raising funds through equity involves significant costs such as underwriting fees, advertising, and compliance expenses, which influence the decision.

4. Regulatory Framework:

The company had to ensure compliance with SEBI guidelines while issuing shares, highlighting the importance of considering the regulatory framework when deciding the capital structure.

Quick Tip

Factors like stock market conditions, control, cost, and regulatory compliance are critical when deciding on a capital structure.

27. Nishi had gone to a grocery store to make routine purchases. On reaching home, as she took out a Binx tomato chips packet from the bag to give it to her son, she felt that

it was underweight. She checked its weight on the kitchen weighing scale and found that it weighed 60 grams, whereas the label on the packet mentioned the weight as 100 grams. She approached the manufacturer and complained. The manufacturer offered her a gift hamper and requested her not to disclose the issue to anyone. Nishi refused to accept the gift hamper and took the issue to a redressal agency.

(a) State two responsibilities discharged by Nishi, as a consumer, in the above case.

Solution:

1. **Reading Labels Carefully:** Nishi read the label on the chips packet to verify the details such as weight, ensuring she was informed about the product.
2. **Filing a Complaint:** Nishi filed a complaint with an appropriate redressal agency instead of accepting the manufacturer's offer, thereby fulfilling her responsibility to take action when goods or services are defective.

(b) State any two reliefs that can be granted to Nishi, if the consumer court is satisfied with the genuineness of the complaint.

Solution:

1. **Replacement of the Product:** The defective packet can be replaced with a new one that is free from defects.
2. **Refund of the Price Paid:** Nishi may be refunded the amount paid for the defective product.

Quick Tip

As a consumer, always check product details and act promptly by filing a complaint if goods are found defective or misleading.

28. Explain the following factors affecting the working capital requirements of a company:

- (a) Operating Efficiency
- (b) Availability of Raw Material

Solution:

(a) Operating Efficiency:

Operating efficiency refers to how effectively a company manages its operations to achieve optimal utilisation of resources.

- Firms with higher operating efficiency can minimise the level of raw materials, finished goods, and receivables, thereby reducing the overall working capital requirement.

- For example, a firm with streamlined production and inventory management can reduce unnecessary stock levels and improve cash flow, resulting in lower working capital needs.

(b) Availability of Raw Material:

The availability of raw materials significantly affects the working capital requirements of a company.

- If raw materials are readily and consistently available, companies can maintain lower stock levels, reducing the need for higher working capital.

- On the other hand, if there is a longer lead time in procuring raw materials, companies must hold larger inventory levels to ensure uninterrupted production, increasing the working capital requirement.

- For instance, a company relying on seasonal raw materials may require higher working capital to stockpile sufficient quantities during the availability period.

Quick Tip

Efficient operations and consistent raw material availability help reduce working capital needs, whereas inefficiencies and supply chain issues increase them.

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

(i) Selection Tests

(ii) Employment Interview

Solution:

(i) Selection Tests

Selection tests are mechanisms that attempt to measure certain characteristics of individuals. These characteristics may include aptitudes, such as manual dexterity, intelligence, or personality traits, which are critical for determining job suitability.

(ii) Employment Interview

An employment interview is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job.

The role of the interviewer is to seek relevant information, while the interviewee provides responses to demonstrate their capabilities and alignment with the job requirements.

Quick Tip

Selection tests help measure specific skills or traits, while interviews assess overall suitability, communication, and personality.

(b). State any four points of importance of the 'Staffing' function of management.

Solution:

The importance of the 'Staffing' function of management includes:

1. **Discovery and Recruitment of Competent Personnel:** Staffing helps in discovering and obtaining qualified and competent individuals for various positions within the organisation.
2. **Higher Performance:** By placing the right person in the right job, staffing ensures higher efficiency and improved performance across the organisation.
3. **Continuous Survival and Growth:** Through effective succession planning for managerial roles, staffing ensures the organisation's continuous survival and growth in the long term.
4. **Optimum Utilisation of Human Resources:** Staffing helps avoid over-manning or shortages by ensuring the right balance of personnel, which leads to optimal utilisation of human resources.
5. **Improved Job Satisfaction and Employee Morale:** By providing fair assessment and rewards for employees' contributions, staffing enhances job satisfaction and morale.

Quick Tip

Staffing is critical for discovering talent, placing employees efficiently, and maintaining organisational growth and employee satisfaction.

30. 'Shanta Enterprises' was in the business of manufacturing solar panels for the last

fifteen years. With their expertise, they were able to manufacture good quality solar panels at lower costs. As a result, 'Shanta Enterprises' received many orders and generated high profit margins.

To motivate employees, the company decided to compensate them for their hard work. Arvind and Yogesh, who were working on a contract basis, were absorbed permanently. Ekta, a regular employee, was awarded the 'Best Employee of the Year' award.

(a) Identify and explain the incentives given by Shanta Enterprises to its employees.

Solution:

1. **Job Security:** Job security refers to providing stability regarding future income and work, ensuring employees feel secure and motivated. For example, Arvind and Yogesh were absorbed permanently, providing them job security.
2. **Employee Recognition Programmes:** Recognition involves acknowledging employees' contributions and showing appreciation. For example, Ekta was awarded the 'Best Employee of the Year' award.

(b) State the needs of the employees being met by such incentives as per Maslow's Need Hierarchy Theory.

Solution:

1. **Safety/Security Needs:** These include security and protection from physical and emotional harm, as provided by job stability.
2. **Esteem Needs:** These include self-respect, status, and recognition, which were fulfilled by the appreciation shown through the award given to Ekta.

Quick Tip

Job security meets employees' safety needs, while recognition boosts their esteem, enhancing overall motivation and productivity.

31. (a) Explain the following as features of the planning function of management:

- (i) Planning focuses on achieving objectives.
- (ii) Planning is futuristic.
- (iii) Planning involves decision making.

Solution:

(i) Planning Focuses on Achieving Objectives:

Planning is directed towards setting specific goals and determining the activities to achieve them.

- The purpose of planning is to ensure that all organisational activities contribute to the achievement of these predetermined objectives.
- For instance, if a company aims to increase sales by 20%, planning will outline strategies and tasks to meet this target.

(ii) Planning is Futuristic:

Planning focuses on anticipating and preparing for future events to ensure the organisation's success.

- It is considered a forward-looking function that relies on forecasting to predict future trends and uncertainties.
- For example, an organisation might plan to launch a new product based on anticipated market demand.

(iii) Planning Involves Decision Making:

Planning requires choosing the best course of action from among various alternatives.

- It involves evaluating each alternative based on its feasibility and effectiveness and then selecting the most appropriate option.
- For example, a company may decide whether to expand domestically or internationally based on cost-benefit analysis.

Quick Tip

Planning helps set objectives, anticipates future challenges, and ensures effective decision-making to align resources with goals.

31. (b) Explain the following steps in the process of planning:

- Setting Objectives
- Developing Premises
- Identifying Alternative Courses of Action

Solution:**(i) Setting Objectives:**

This step involves defining what the organisation wants to achieve.

- Objectives are set for the organisation as a whole, as well as for individual departments or units.
- They should be clearly stated to ensure that all employees understand and work towards them. For example, achieving a 10% increase in market share could be an objective.

(ii) Developing Premises:

Premises refer to assumptions about the future that form the basis for planning.

- These assumptions could be based on forecasts, existing plans, or past information about policies.
- For instance, if the company expects raw material prices to rise, this premise will guide decisions on inventory levels.

(iii) Identifying Alternative Courses of Action:

This step involves listing all possible courses of action that could be taken to achieve the objectives.

- The alternatives could be routine or innovative, depending on the situation.
- For example, a company looking to reduce costs might consider options like outsourcing, automation, or negotiating better supplier terms.

Quick Tip

The planning process involves setting clear objectives, making assumptions about the future, and evaluating multiple alternatives to select the best course of action.

32. Ankur Sachdeva did his MBA from ITB University. He decided to apply his knowledge of scientific management in the fast food restaurant chain 'Coffee Bean' set up by him. This restaurant was providing burgers, fries, shakes etc, as a part of its menu.

Now a days people are quality conscious, so he was using standardised raw materials, processes, methods, working conditions, machinery etc. The objective was to establish

standards of excellence. By doing this he was not only able to reduce the cost but was also able to provide new varieties of burgers, fries and shakes leading to increased turnover.

Ankur Sachdeva also believed that there was only one best method to maximise efficiency. As a result he developed best way of grilling burgers, cooking fries and preparing shakes. His main objective was to maximise the satisfaction of customers, which he was able to achieve.

Not only to learn the best way of doing a job, but to perform their tasks efficiently, 'Coffee Bean' regularly invests in training and development programmes to equip employees with the necessary skill and knowledge. 'Coffee Bean' believed that efficient employees will produce more and earn more. This will ensure their greatest efficiency and prosperity for both company and workers.

The above case highlights the use of Scientific principles and techniques by 'Coffee Bean'. Explain any one such principle and two techniques.

Solution:

Principle of Scientific Management: Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

Taylor believed that each individual should be scientifically selected and assigned tasks suited to their physical, mental, and intellectual capabilities.

To enhance efficiency, employees should be given proper training, which would ensure their growth as well as the prosperity of the organisation.

Techniques of Scientific Management:

1. Method Study:

The objective of method study is to find the one best way of performing a task.

This helps minimise production costs while maximising quality and customer satisfaction.

Techniques like process charts and operations research are used for this purpose.

2. Standardisation:

Standardisation involves setting benchmarks for business activities, such as processes, raw materials, machinery, or working conditions.

Adherence to these standards ensures uniformity and consistency in production.

Quick Tip

Scientific management focuses on maximising efficiency through principles like method study, standardisation, and employee development.

33. (a) Explain the following functions of marketing:

- (i) Product Designing and Development
- (ii) Physical Distribution
- (iii) Storage and Warehousing

Solution:

(i) Product Designing and Development:

The design of a product plays a significant role in attracting the target customers.

- A well-designed product not only enhances its appeal but also improves its performance and usability.
- Additionally, a good design provides a competitive advantage in the market by differentiating the product from its competitors.

(ii) Physical Distribution:

Physical distribution refers to activities related to the movement of goods from producers to customers.

- This includes two major decision areas:
 - (a) The selection of channels of distribution or marketing intermediaries to be used.
 - (b) The physical movement of the product through inventory management, storage, warehousing, and transportation.
- Efficient physical distribution ensures timely delivery and availability of goods in the market.

(iii) Storage and Warehousing:

Storage and warehousing are essential for maintaining a consistent flow of products in the market.

- Proper storage ensures that goods are protected against delays in delivery or unexpected fluctuations in demand.

- Adequate stock of goods also helps meet contingencies and ensures a smooth supply chain.

Quick Tip

Effective product designing, distribution, and storage ensure customer satisfaction, operational efficiency, and competitive advantage in the market.

33. (b) Explain the following factors affecting 'Price Determination':

- (i) Product Cost
- (ii) The Utility and Demand
- (iii) Extent of Competition in the Market

Solution:

(i) Product Cost:

Product cost includes the cost of producing, distributing, and selling the product, which consists of fixed, variable, and semi-variable costs.

- Most marketing firms aim to cover their costs in the long run and earn a margin of profit over the total cost.
- Product cost sets the lower limit of the price a company can charge.

(ii) The Utility and Demand:

The utility derived from the product and the intensity of demand determine the upper limit of the price a buyer is willing to pay.

- Buyers are prepared to pay a price that matches or is less than the perceived utility of the product.
- The stronger the demand and higher the utility, the higher the price a buyer may accept.

(iii) Extent of Competition in the Market:

The level of competition influences the price-setting process.

- In a highly competitive market, prices are usually set at the lowest feasible level to attract customers.
- On the other hand, in a market with less competition, companies can charge higher prices without losing customers.
- Competitors' prices, product quality, and features must also be considered when

determining prices.

Quick Tip

Factors like cost, utility, demand, and competition significantly influence pricing decisions and help maintain a balance between profitability and customer value.

34. Preeti started her own cooking channel on ‘Youtube Mood Art’. As her subscribers increased, she was not in a position to manage everything on her own. She hired Rahul and Riya to help her with filming editing, lighting and content research. She granted authority to them to operate within prescribed limits. She was thus, able to use her time on high priority activities like developing new recipes and content development etc. As a result, Rahul and Riya were given opportunities to develop and exercise initiative. Preeti was now able to focus on objectives and meet the target of achieving a subscriber base of one million in six months.

- (a) Identify the concept of management used by Preeti.
- (b) Explain any five points of importance of the concept identified in (a).

Solution:

(a) Concept Identified: Delegation Delegation is the process of granting authority to subordinates to carry out specific tasks within defined limits.

(b) Importance of Delegation:

- 1. Effective Management:** Delegation allows managers to focus on higher-priority tasks by assigning routine work to subordinates.
- 2. Employee Development:** It provides subordinates with opportunities to develop skills and gain experience.
- 3. Motivation of Employees:** Delegation enhances employee morale and motivation by providing authority and responsibility.
- 4. Facilitation of Growth:** It ensures efficient operations and enables the organisation to expand.
- 5. Better Coordination:** Delegation ensures clarity in roles and responsibilities, improving coordination.

Quick Tip

Delegation empowers employees, enhances management efficiency, and facilitates organisational growth.
