

CBSE 12 Business Studies (66/5/2) Question Paper with Solutions

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

Read the following instructions very carefully and strictly follow them :

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

1. Navya went to a supermarket for grocery shopping. She bought one kg of bajra flour from the supermarket. On reaching home when she opened the packet she found worms inside it. She was disappointed and told her son about the same. Her son asked her to check the label. When she checked the label of the packet, she found that bajra flour was stale and beyond the expiry date. She approached the sales-person at the supermarket who replaced the bajra flour immediately. When she thanked the sales-person, she was told that it was the policy of the supermarket to satisfy the customers. He further told that satisfied customers not only lead to repeat sales but they also provide good feedback to prospective customers which helps in increasing the customer base of business. Identify the point of importance of consumer protection from the point of view of the supermarket which is helping them to increase the customer base:

Identify the point of importance of consumer protection from the supermarket's perspective:

- (A) Long-term interest of the business
- (B) Moral justification
- (C) Social responsibility
- (D) Government intervention

Correct Answer: (A) Long-term interest of the business.

Solution: Step 1: Consumer Protection and Business Growth

Ensuring customer satisfaction leads to repeat purchases and positive word-of-mouth marketing. This strengthens brand reputation and business growth.

Step 2: Business Perspective

A company that prioritizes consumer protection fosters trust and loyalty, reducing the risk of losing customers to competitors.

Quick Tip

Consumer protection benefits businesses by ensuring customer trust, loyalty, and positive market reputation, leading to long-term success.

2. Read the following statements: Assertion (A) and Reason (R). Choose the correct

alternative from the options given below:

Assertion (A): Availability of leasing facilities may reduce the funds required to be invested in fixed assets, thereby reducing the fixed capital requirements.

Reason (R): When an asset is taken on lease, the firm pays lease rentals to use it and avoids investing huge sums required for its purchase.

(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: Step 1: Understanding Leasing and Fixed Capital

Leasing allows businesses to use assets without making large capital investments, reducing fixed capital requirements.

Step 2: Explaining the Relationship

Since leasing involves periodic lease rentals instead of a lump sum payment, it directly reduces the need for upfront funds, supporting Assertion (A) and Reason (R) as correct and interconnected.

Quick Tip

Leasing is an effective financial strategy that reduces capital investment risks while ensuring access to required assets.

3. Statement-I: The basic function of a Stock Exchange is the creation of a continuous market where securities are bought and sold.

Statement-II: The Stock Exchange provides both liquidity and easy marketability to already existing securities in the market.

(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: Step 1: Interpreting Statement-I.

The creation of a continuous market is a fundamental function of stock exchanges. It ensures regular trading of securities, providing opportunities for buying and selling.

Step 2: Interpreting Statement-II.

Liquidity and marketability are crucial for stock exchanges, allowing investors to easily convert securities into cash. This is achieved by maintaining an active market for securities.

Conclusion: Both statements correctly describe the functions of a stock exchange, making (C) the correct answer.

Quick Tip

Stock exchanges play a critical role in ensuring liquidity, price discovery, and continuous trading for securities.

4. Many reputed business organisations keep a database of unsolicited applicants in their offices. Such job seekers can be a valuable source of manpower. A list of such job seekers can be prepared and can be screened to fill the vacancies as they arise. The source of recruitment discussed above is:

(A) Direct recruitment

(B) Casual callers

(C) Labour contractors

(D) Campus recruitment

Correct Answer: (B) Casual callers

Solution:

Step 1: Understanding casual callers as a recruitment source.

- Casual callers refer to individuals who submit unsolicited applications for jobs. These applications can be stored and reviewed later to fill vacancies.

Step 2: Analyzing the scenario.

The description highlights the practice of storing and screening unsolicited applications, which aligns with casual callers as a recruitment source.

Conclusion: The correct source of recruitment is (B) Casual callers.

Quick Tip

Maintaining a database of unsolicited applications can help businesses quickly fill vacancies without incurring additional recruitment costs.

5. 'Child-O' is a garment manufacturing company which makes clothes with unique and stylish designs for children. Naisha was working as the Human Resource Manager with 'Child-O'. Despite good pay and many other benefits offered, the company is facing the problem of high turnover of its employees. Naisha tried to find out the reason but could not. She appointed a person with the permission of the Chief Executive Officer to find out the reason. It was found that other organisations were giving more autonomy and authority to their employees, which made them feel that their jobs were important. This was attracting the employees of 'Child-O' to other organisations. The incentive which attracted the employees of 'Child-O' to other organisations is:

- (A) Employee Recognition Programmes
- (B) Employee Participation
- (C) Career Advancement Opportunity
- (D) Employee Empowerment

Correct Answer: (D) Employee Empowerment

Solution:

Employee Empowerment refers to providing employees with autonomy, authority, and responsibility in their work. This creates a sense of importance and ownership, which motivates employees to stay and perform better. Organisations offering such incentives attract and retain talented employees.

Quick Tip

Providing autonomy and authority increases employee satisfaction, reduces turnover, and builds loyalty towards the organisation.

6. For holding securities in an electronic form, the investor has to open a demat account with an organisation called:

- (A) Depository
- (B) Securities and Exchange Board of India
- (C) Stock Exchange
- (D) Mutual Fund

Correct Answer: (A) Depository

Solution:

Step 1: Understanding demat accounts.

- A demat account is used to hold securities in electronic form, eliminating the need for physical certificates.
- Depositories are organizations responsible for providing demat services, ensuring secure and efficient handling of securities.

Step 2: Analyzing the options.

The depository acts as the custodian of securities in electronic form, making it the correct answer.

Conclusion: The correct organization is (A) Depository.

Quick Tip

A depository like NSDL or CDSL provides electronic storage for securities, ensuring safety and convenience for investors.

7. The activities involved in managing the enterprise are common to all organisations whether economic, political, or social. Identify the feature of management:

- (A) Management is multidimensional.

- (B) Management is all-pervasive.
- (C) Management is a continuous process.
- (D) Management is a dynamic function.

Correct Answer: (B) Management is all-pervasive.

Solution:

Step 1: Understanding the feature of "all-pervasive."

- Management is all-pervasive as it applies to all types of organizations, whether business, government, or social, regardless of size or objective.

Step 2: Analyzing the options.

The given statement highlights the universal applicability of management, which matches the feature of being all-pervasive.

Conclusion: The correct answer is (B) Management is all-pervasive.

Quick Tip

Management is applicable to all types of organizations and sectors, ensuring coordination and goal achievement universally.

8. Which of the following is NOT a factor affecting 'financing decision'?

- (A) Fixed operating costs
- (B) Cash flow position
- (C) Control considerations
- (D) Diversification

Correct Answer: (D) Diversification

Solution:

Step 1: Understanding financing decisions.

- Financing decisions are influenced by factors like cash flow position, control considerations, and fixed operating costs, which determine the proportion of debt and equity.

- Diversification pertains to expansion into new markets or products and is not directly related to financing decisions.

Step 2: Analyzing the options.

Among the given options, diversification is unrelated to financing decisions.

Conclusion: The correct answer is (D) Diversification.

Quick Tip

Financing decisions depend on factors like risk, cost of capital, and control but not on diversification strategies.

9. 'Vanguard Inc.', a company manufacturing footwear for men, women and children has been earning consistent profits for the last many years. It has a democratic style of working. Workers are encouraged to develop and carry out plans for improvement in the organisation. Varun who is working in the production department gave a suggestion which resulted in 10% reduction in the cost of production of shoes. He was rewarded for his suggestion. Identify the principle of management followed by 'Vanguard Inc.' in the above case:

- (A) Esprit De Corps
- (B) Subordination of Individual Interest to General Interest
- (C) Initiative
- (D) Equity

Correct Answer: (C) Initiative

Solution:

The principle of **Initiative** encourages employees to provide suggestions and take actions for the betterment of the organisation. It motivates employees to contribute creatively and rewards their efforts for better organisational performance.

Quick Tip

Encouraging initiative helps foster creativity, improves morale, and enhances productivity in an organisation.

10. Naman and Vineet were childhood friends and both were working in 'Sunshine Crockery'. Naman was the Chief Executive Officer while Vineet was the Production

Manager. They generally discussed company-related issues during lunch or while traveling together. Recently, the company received an order for 5,000 dinner sets from Shaurya Hotel. It was an unexpected order that would increase the company's revenue. Naman communicated this order to Vineet over intercom, and Vineet executed it within the given time period. The type of communication used by Naman to communicate the order to Vineet was:

- (A) Formal Communication
- (B) Informal Communication
- (C) Online Communication
- (D) Visual Communication

Correct Answer: (A) Formal Communication

Solution: Step 1: Understanding communication types.

Formal communication is defined as the official, structured method used within an organization, often documented for record-keeping. It adheres to organizational hierarchy and protocols.

Step 2: Interpreting the scenario.

Naman, being the CEO, used the intercom—a formal communication channel—to instruct Vineet. Hence, this was a formal communication.

Conclusion: The correct answer is (A) Formal Communication.

Quick Tip

Formal communication is used for official purposes, adheres to protocols, and ensures clarity and accountability.

11. Choose the incorrect statement about 'Money Market':

- (A) The main instruments traded in this market are Treasury bills, Trade bills, Commercial paper, and Certificates of deposit.
- (B) In this market, transactions entail huge sums of money as the instruments are quite expensive.
- (C) Participation in this market is by and large undertaken by institutional participants such

as the Reserve Bank of India, banks, financial institutions, and finance companies.

(D) It deals in medium and long-term securities.

Correct Answer: (D) It deals in medium and long-term securities.

Solution:

Step 1: Understanding the money market.

- The money market deals with short-term financial instruments such as Treasury bills and Commercial paper, with a maturity period of up to one year.

- Medium and long-term securities are traded in the capital market, not the money market.

Step 2: Analyzing the options.

Option (D) incorrectly states that the money market deals in medium and long-term securities, which is false.

Conclusion: The incorrect statement is (D) It deals in medium and long-term securities.

Quick Tip

The money market focuses on short-term instruments like Treasury bills and is primarily used by institutional participants for liquidity management.

12. _____ means doing the task correctly and with minimum cost.

(A) Efficiency

(B) Effectiveness

(C) Management

(D) Coordination

Correct Answer: (A) Efficiency

Solution:

Step 1: Understanding efficiency.

- Efficiency refers to completing tasks with minimum resources and cost, while achieving the desired outcome.

- Effectiveness focuses on achieving objectives but does not necessarily consider resource optimization.

Step 2: Analyzing the definition.

The term "doing the task correctly and with minimum cost" clearly defines efficiency.

Conclusion: The correct answer is (A) Efficiency.

Quick Tip

Efficiency focuses on resource optimization, while effectiveness emphasizes goal achievement. Both are essential for successful management.

13. Match the terms given in Column I with their meaning in Column II:

Column I	Column II
a. Trademark	(i) A name, term, sign, symbol, design or some combination of them used to identify the products and differentiate them from the competitors.
b. Brand name	(ii) A brand or a part of the brand that is given legal protection.
c. Brand	(iii) That part of the brand which can be recognised but which is not utterable.
d. Brand mark	(iv) That part of the brand which can be spoken.

Choose the correct option from the following:

a b c d

(A) (i) (ii) (iii) (iv)

(B) (ii) (iii) (i) (iv)

(C) (ii) (iv) (i) (iii)

(D) (ii) (i) (iv) (iii)

Correct Answer: (C) *a (ii), b (iv), c (i), d (iii)*

Solution:

Step 1: Understand the meanings of the terms.

- Trademark: Legal protection of a brand or a part of a brand.
- Brand name: The part of the brand that can be spoken.
- Brand: A name, term, symbol, or design used to differentiate a product.
- Brand mark: The part of the brand that can be recognised but is not utterable.

Step 2: Match Column I with Column II based on the definitions.

- a. Trademark - (ii), b. Brand name - (iv), c. Brand - (i), d. Brand mark - (iii)

Conclusion: The correct option is (C).

Quick Tip

When matching columns, carefully read the definitions in Column II and pair them with the terms in Column I based on their meanings.

14. 'Since business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources, it becomes difficult to comprehend at once what exactly constitutes a given environment'. Thus, it is relatively easier to understand the environment in parts but difficult to grasp in its totality.

Identify the feature of business environment highlighted above:

- (A) Uncertainty
- (B) Complexity
- (C) Relativity
- (D) Dynamic Nature

Correct Answer: (B) Complexity

Solution:

The feature **Complexity** highlights the interrelated and dynamic nature of various forces in the business environment, making it difficult to fully comprehend in its entirety. Managers often analyse specific parts to understand the environment better.

Quick Tip

Understanding the complexity of the business environment helps organisations adapt effectively and make informed decisions.

15. As per the Plastic Waste Management Rule 2022, single-use plastic items were prohibited in Delhi from 1 July, 2022. The dimension of the business environment referred to here is:

- (A) Economic environment
- (B) Legal environment
- (C) Technological environment
- (D) Political environment

Correct Answer: (B) Legal Environment

Solution: Step 1: Understanding business environment dimensions.

The legal environment consists of laws, regulations, and rules that businesses must comply with.

Step 2: Analyzing the given scenario.

The Plastic Waste Management Rule 2022 imposes a legal obligation on businesses to stop using single-use plastics. This is clearly a part of the legal environment.

Conclusion: The correct answer is (B) Legal Environment.

Quick Tip

The legal environment includes laws, acts, and government regulations that impact business operations directly.

16. Which of the following is the function of Top-level management?

- (A) They ensure that their department has the necessary personnel.
- (B) They interact with the actual workforce and pass on instructions of the middle management to the workers.
- (C) They co-operate with other departments for the smooth functioning of the organisation.

(D) They analyse the business environment and its implications for the survival of the firm.

Correct Answer: (D) They analyse the business environment and its implications for the survival of the firm.

Solution:

Step 1: Understanding the roles of top-level management.

- Top-level management is responsible for defining organizational goals, formulating policies, and analyzing the external business environment to ensure long-term survival.

Step 2: Analyzing the options.

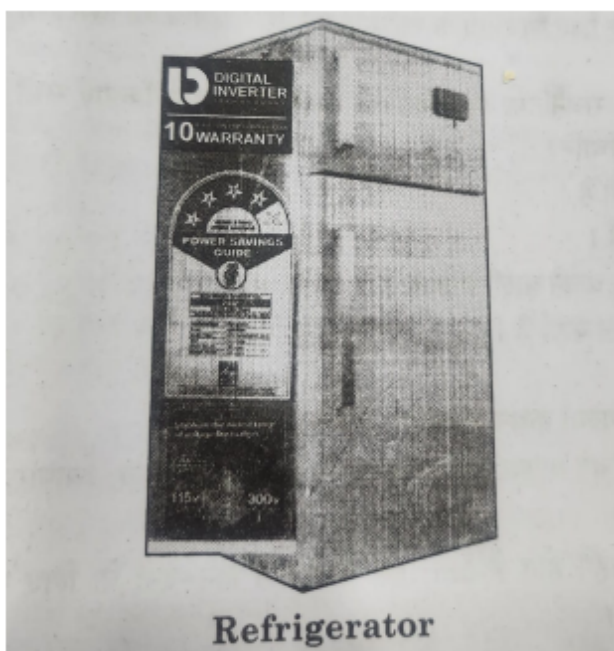
Among the given options, only (D) aligns with the responsibilities of top-level management, which includes strategic decision-making and environment analysis.

Conclusion: The correct answer is (D) They analyse the business environment and its implications for the survival of the firm.

Quick Tip

Top-level management focuses on strategic planning and external environment analysis, while middle and lower levels handle operational tasks.

17. Identify from the following what is shown in the picture of a refrigerator given below:



- (A) Brand name
- (B) Brand mark
- (C) Trademark
- (D) Label

Correct Answer: (D) Label

Solution:

Step 1: Understanding the terms.

- A label provides information about the product, such as its features, usage, price, and manufacturing details.

- A brand name, brand mark, and trademark are used to identify and differentiate a product but do not convey additional product-specific information like a label does.

Step 2: Analyzing the given scenario.

The picture of the refrigerator highlights the information provided about the product, which aligns with the definition of a label.

Conclusion: The correct answer is (D) Label.

Quick Tip

A label provides critical information about a product and helps consumers make informed purchasing decisions.

18. 'Kanand Ltd.' is an automobile manufacturing company started in 2014 under the 'Make in India' initiative of the Government of India. Expecting higher growth in the future, it developed higher capacity in the current year, taking advantage of the subsidies provided by the government. This would enable 'Kanand Ltd.' to meet anticipated higher demand quickly. For this, 'Kanand Ltd.' invested large amounts in fixed assets, leading to higher requirements of fixed capital. Identify the factor affecting fixed capital requirements that 'Kanand Ltd.' kept in mind to meet higher anticipated demand quickly.

- (A) Scale of operations
- (B) Nature of business

- (C) Diversification
- (D) Growth prospects

Correct Answer: (D) Growth prospects

Solution:

Step 1: Understand the factors affecting fixed capital requirements.

- Fixed capital requirements depend on the scale of operations, nature of the business, growth prospects, and diversification.
- Growth prospects refer to the anticipated increase in demand and the company's preparations to meet it.

Step 2: Analyzing the scenario.

'Kanand Ltd.' anticipated higher growth and took steps to increase its capacity by investing in fixed assets. This decision was driven by the growth prospects of the company.

Conclusion: The factor affecting fixed capital requirements is (D) Growth prospects.

Quick Tip

Fixed capital requirements increase with higher anticipated demand, diversification, or expansion plans.

19. Which of the following is not an element of the social environment?

- (A) Composition of family
- (B) Consumption habits
- (C) Rates of saving and investment
- (D) Educational system and literacy rates

Correct Answer: (C) Rates of saving and investment.

Solution: Step 1: Understanding the Social Environment

The social environment includes cultural and social factors such as family structure, lifestyle, consumption patterns, and education.

Step 2: Excluding an Economic Factor

Rates of saving and investment belong to the economic environment, as they relate to financial trends rather than social structures.

Quick Tip

The social environment shapes business strategies by influencing consumer behavior, cultural trends, and lifestyle choices.

20. Statement-I: Motivation can be either positive or negative.

Statement-II: Motivation is a complex process as individuals are heterogeneous in their expectations, perceptions, and reactions.

- (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: Step 1: Understanding Motivation

Motivation can be positive (incentives, rewards) or negative (fear of penalties, job insecurity), which makes Statement-I true.

Step 2: Motivation as a Complex Process

Individuals have different perceptions, expectations, and reactions, making motivation complex. Thus, Statement-II is also true.

Quick Tip

Motivation can be intrinsic (internal drive) or extrinsic (external rewards/punishments). A mix of both is effective in organizations.

21. 'Caro', a car manufacturing company was manufacturing high cost, good quality luxury cars. For the last few years, the company was not earning good profits as the demand for the cars was very low.

Chief Executive Officer of the company, Piyush had a meeting with the Production and Sales Managers to discuss how to increase the revenue of the company. They found that nowadays instead of purchasing luxury cars people prefer to have such cars on rental

basis. So they decided to start 'Car rental service'. The Production Manager also suggested that as these cars were sophisticated and each spare part was very costly it would be better to provide these cars for rental service along with trained drivers so that there would be less wear and tear. Piyush agreed and a training unit was started. Two of the available cars were used for training the drivers. People were very happy as they were getting these cars on rental basis with trained drivers. The idea was a big hit and the company was able to surpass its profit targets of the last 20 years.

(a) Identify and explain the method of training given by 'Caro' to its drivers.

Solution:

Solution: Identifying the Training Method

The training method used in the given scenario is **Vestibule Training**.

Vestibule training is an **off-the-job training** technique where employees are trained in an environment that simulates the actual workplace but away from the production area. This method is particularly useful for jobs requiring specialized skills and the handling of sophisticated equipment, such as luxury cars.

In this case, Caro created a separate training unit where drivers were trained before being assigned rental vehicles. This approach ensured that they developed the necessary driving and vehicle-handling skills without risking damage to customer vehicles.

Quick Tip

Vestibule training is highly effective for roles involving **complex machinery or precision work**, as it allows employees to develop skills in a controlled environment. It reduces the risk of costly errors and ensures higher proficiency before engaging in real-world tasks.

(b) State any two advantages the drivers will gain from this training.

Solution:

Solution: Advantages of Vestibule Training

(i) **Career Growth:** Drivers gain specialized skills that increase their employability and provide opportunities for career advancement.

(ii) **Higher Earnings:** Well-trained drivers are more efficient and capable, leading to better

job performance, incentives, and higher wages.

Quick Tip

Vestibule training reduces workplace risks and enhances employee confidence by providing hands-on experience in a controlled environment.

22. State any three protective functions of the Securities and Exchange Board of India (SEBI).

Solution:

SEBI plays a crucial role in regulating and protecting investors in the securities market.

Below are three key protective functions:

- (i) **Prohibiting fraudulent and unfair trade practices:** SEBI prevents unethical activities such as price rigging, misleading statements, and insider trading to ensure market transparency.
- (ii) **Controlling insider trading:** SEBI monitors and penalizes individuals who use privileged information to manipulate stock prices, thereby ensuring a level playing field for all investors.
- (iii) **Ensuring investor protection:** SEBI enforces regulations that safeguard investors' interests, promoting fair dealing in the securities market.

Quick Tip

SEBI's regulatory framework ensures transparency, fairness, and efficiency in financial markets, fostering investor confidence.

23. 'Cortico Fabrics' was started by Ashish in 2001 to sell bed sheets, towels, comforters, pillows, cushions, bath mats, etc. It is now a famous name with branches across India. To manage the work nationwide, it has eight teams—two each for North, South, East, and West India. Ashish spends a considerable amount of time developing an orderly pattern of group efforts among different teams and securing unity of action in pursuit of a common purpose.

To ensure suitable allocation of tasks to the various team members and to see that the tasks are performed with harmony among them, he tries to balance different teams at different locations.

(a) Identify and explain the concept of management discussed in the above paragraph.

Solution:

Solution:

Identifying the Concept of Management

The concept of management discussed in the given scenario is **Coordination**.

Coordination refers to the orderly arrangement of group efforts to ensure unity of action in the pursuit of a common goal. It is essential for synchronizing various functions of an organization and ensuring that all departments work together efficiently.

In the given case, Ashish ensures smooth functioning across all eight teams by creating a system where tasks are allocated properly and performed in a harmonious manner. This reflects the essence of coordination in management.

Quick Tip

Coordination is considered the **essence of management**, as it integrates the efforts of individuals and departments to achieve organizational goals efficiently. A well-coordinated organization minimizes duplication of work, reduces conflicts, and enhances productivity.

(b) Explain any one point of importance of the concept identified in (a).

Solution:

Importance of Coordination

One significant importance of coordination is:

Growth in Size: As an organization expands, it becomes increasingly complex with multiple departments and teams. Coordination ensures that efforts are aligned with organizational objectives, preventing duplication of work and inefficiencies.

Quick Tip

Coordination is the essence of management that minimizes conflicts, enhances teamwork, and ensures goal achievement by integrating various departments effectively.

24. State any three points of importance of the staffing function of management.

Solution:

Staffing is a crucial function of management that focuses on acquiring, developing, and retaining the right personnel to ensure smooth business operations. Below are three key points highlighting its importance:

- (i) **Discovering and obtaining competent personnel:** Staffing helps in identifying and hiring skilled individuals who meet the specific job requirements of the organization. The right employees contribute significantly to business growth and efficiency.
- (ii) **Enhancing performance:** By placing employees in roles suited to their skills and expertise, staffing ensures that individuals perform at their highest potential, leading to improved productivity and effectiveness.
- (iii) **Ensuring organizational survival and growth:** Proper staffing allows for succession planning, ensuring that key positions are filled with capable individuals who can lead the organization towards long-term sustainability.

Quick Tip

Effective staffing not only fills positions with the right talent but also fosters a positive work environment, leading to higher job satisfaction and reduced employee turnover.

25. Inspired by the success of Chandrayaan-3, the Chief Scientist at 'Space Rover' a private research group, decided to send some innovative ideas regarding the mission to the Chief Scientist of Chandrayaan-3.

The Chief Scientist at 'Space Rover' formed four groups for the same. As it was an intellectual activity of thinking rather than doing, these four groups started interacting with each other and friendships developed. On the basis of their interaction and

friendship, some members from each group formed 'Entertainment Through Reading' group which showed conformity in terms of their interest. 'Entertainment Through Reading' group had no written rules, was unstable in form and scope and had no fixed lines of communication. The members of this group enhanced the morale of each other, enjoyed drinking coffee together, read books, served different issues of their work areas and provided support to each other. Ultimately this group developed some innovative ideas which were sent by 'Space Rover' to the Chief Scientist of Chandrayaan-3. Though this group was formed for recreation but it contributed towards fulfillment of organisational objectives.

(a) Identify and explain the type of organization which emerged as 'Entertainment Through Reading'.

Solution:

Informal Organization

An informal organization refers to a network of personal and social relationships that arise spontaneously within a formal organization. These groups develop based on mutual interests, friendships, and common goals rather than official company structure.

(b) State any three advantages of the type of organization identified in (a).

Solution:

(i) **Faster Communication:** Informal groups help in the rapid exchange of information, bypassing bureaucratic delays.

(ii) **Social Fulfillment:** Employees build friendships, leading to a positive work environment and improved morale.

(iii) **Support for Organizational Goals:** Informal groups can complement the formal structure by helping employees share ideas and solve problems collaboratively.

Quick Tip

Informal organizations can significantly enhance workplace culture by providing social support, reducing stress, and fostering innovation.

26. Kewalram started a sweets shop 'Karamati Sweets' in 1950. The sweets were

famous all over India for their good quality and people would come from far and wide to purchase sweets from him. As he grew old, he could no longer run the shop. So, he sold the shop to one of his neighbours Bholaram'. After a few months, to further increase the revenue, Bholaram' started engaging in unfair trade practices like using adulterated khoya and paneer. He thought that no one would know about it as 'Karamati Sweets' had a good image in the eyes of the people.

Slowly, people started falling sick after consuming sweets purchased from 'Karamati Sweets' but they did not know where to go and to whom to complain. Raghav, a resident of the village had recently completed his studies. He was also a member of a non-governmental organisation, 'Meri Voice'. He felt that the villagers should be made aware about the rights and reliefs available to them. He started creating awareness about consumer rights among the villagers to protect their interest through a series of talks and presentations in the village.

(a) Identify and explain the consumer right discussed in the above case.

Solution:

Consumer Right Discussed

The consumer right emphasized in this case is the **Right to Consumer Education**.

The Right to Consumer Education ensures that consumers are well-informed about their rights, responsibilities, and available reliefs when faced with defective or hazardous products or services. This right empowers consumers to make informed decisions and take necessary actions if they experience unfair trade practices.

In the given case, Raghav, an educated villager, understood the importance of spreading awareness about consumer rights. By conducting awareness campaigns through talks and presentations, he enabled villagers to understand their rights and how they could protect themselves against unethical business practices.

Quick Tip

The **Right to Consumer Education** helps consumers make informed choices and take legal action when necessary. Organizations, NGOs, and government initiatives play a vital role in educating consumers to prevent exploitation and ensure fair trade practices.

(b Identify and explain the consumer right violated by ‘Bholaram’.

Solution:

Consumer Right Violated

The consumer right violated in this case is the **Right to Safety**.

The Right to Safety ensures that consumers are protected from goods and services that pose health hazards or risk their well-being. It emphasizes the importance of quality control, regulatory compliance, and standardization of products to ensure consumer protection.

In this scenario, Bholaram started using adulterated ingredients in the sweets sold under the well-reputed brand ‘Karamati Sweets’. This adulteration led to health issues among consumers, thereby violating their Right to Safety.

Consumers should always check for quality assurance symbols such as ISI, AGMARK, and FSSAI certification while purchasing food products to ensure safety.

Quick Tip

Consumer rights safeguard individuals against unfair trade practices. Staying informed about these rights enables consumers to make better purchasing decisions and take appropriate action when needed.

27(a). State any four points of importance of the planning function of management.

Solution:

Importance of Planning: (Any four)

(i) Provides Direction:

- Planning involves deciding in advance what actions should be taken, providing a clear roadmap for the organization.

(ii) Reduces Risks of Uncertainty:

- It helps in anticipating future changes and developing appropriate managerial responses to minimize uncertainties.

(iii) Reduces Overlapping and Wasteful Activities:

- Planning ensures better coordination between different divisions, reducing duplication of

efforts and resource wastage.

(iv) Promotes Innovative Ideas:

- The planning process requires managers to think ahead, fostering creativity and innovation in decision-making.

(v) Facilitates Decision-Making:

- Planning enables managers to evaluate various alternatives and choose the most suitable course of action.

(vi) Establishes Standards for Performance Evaluation:

- It sets benchmarks against which actual performance can be measured, ensuring continuous improvement.

Quick Tip

Effective planning leads to better coordination, reduced risks, and efficient decision-making, ensuring long-term success for businesses.

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

(i) Strategy

(ii) Procedure

Solution:

(i) Strategy

- A strategy is a comprehensive plan formulated by an organization to achieve its long-term objectives while considering the dynamic business environment.
- It provides the overall direction for decision-making and defines how resources should be allocated to achieve competitive advantage.
- A good strategy takes into account external factors such as market trends, competition, and government policies.
- Example: A company deciding to expand into international markets as a part of its business growth strategy.

(ii) Procedure

- A procedure is a step-by-step sequence of activities required to perform a specific task or

function in an organization.

- It ensures uniformity, efficiency, and standardization in work processes, thereby reducing errors and improving productivity.
- Procedures are designed to ensure consistency in operations and compliance with company policies.
- Example: The procedure for hiring employees in an organization, which includes steps like job posting, shortlisting, interviewing, and final selection.

Quick Tip

A **strategy** provides the overall direction for achieving goals, whereas a **procedure** ensures systematic execution of specific tasks. Both are essential for effective planning and management.

28. Differentiate between 'Product Concept' and 'Societal Marketing Concept' of marketing management philosophies on the basis of:

- (a) **Meaning**
- (b) **Main Focus**
- (c) **Means**
- (d) **Ends**

Solution:

Difference Between Product Concept and Societal Marketing Concept

Basis	Product Concept	Societal Marketing Concept
Meaning	Focuses on superior product quality and innovation.	Considers consumer needs along with societal welfare.
Main Focus	Product excellence and features.	Balance between customer satisfaction, profit, and social well-being.
Means	Achieved through product improvements.	Achieved through ethical and sustainable marketing.
Ends	Customer preference through high-quality products.	Long-term consumer trust and societal welfare.

Quick Tip

The **Product Concept** emphasizes superior product quality, whereas the **Societal Marketing Concept** balances customer needs, company profits, and societal welfare for sustainable business success.

29. A Business Process Outsourcing centre, 'Chromosome' which deals in conversion of voice reports dictated by physicians and other healthcare providers into text format has 40 employees. They ensure that their employees are well versed in at least one foreign language and one Indian language. The employees are also given the required training to ensure that the reports are processed correctly as they are the backbone of the patients' medical history. On frequent complaints about some of its employees, it was observed that they were facing problems in decoding the message as they were not very proficient with the language in which the voice message was received. As a result, they would make mistakes causing different meaning to the message. Not only this, sometimes there were technical words used in voice reports, the actual meaning of which was also not understood by the employees. Due to this, 'Chromosome' was slowly losing its business to competitors.

The above case highlights two communication barriers. Identify and explain these barriers.

Solution:

Faulty Translations

- When communication is originally drafted in one language but needs to be translated into another, errors may arise if the translator is not proficient in both languages.
- In this case, employees at 'Chromosome' were not well-trained in the language of the voice reports, leading to mistakes in transcription and incorrect messages.

Technical Jargon

- Specialists often use complex technical terms that are difficult for non-specialists to understand.
- At 'Chromosome', employees struggled to comprehend medical terminology used by physicians, which led to errors in transcriptions.

Quick Tip

Effective communication requires **clarity, language proficiency, and familiarity with technical terms**. Organizations must provide adequate training to employees handling specialized content.

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

(i) Customer Support Services

(ii) Physical Distribution

Solution:

(i) Customer Support Services

- Customer support services include after-sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services, and consumer information.
- These services aim at providing maximum satisfaction to customers and are highly effective in generating repeat sales and fostering brand loyalty.

(ii) Physical Distribution

- Physical distribution involves two key decision areas: - Choosing the right distribution channels (e.g., wholesalers, retailers) to make the product available to consumers. - Managing the physical movement of goods from production locations to places where they are required by customers.
- It includes activities such as inventory management, warehousing, and transportation, ensuring efficient delivery of goods.

Quick Tip

Effective customer support services build brand loyalty, while efficient physical distribution ensures timely and cost-effective product delivery to consumers.

30(b). State any four factors which affect the fixation of the price of a product.

Solution:

Factors Affecting Price Fixation: (Any four)

(i) Product Cost:

- The cost of producing, distributing, and selling the product determines the minimum price (floor price) at which the product can be sold.

(ii) Utility and Demand:

- The maximum price is influenced by the perceived utility and demand for the product. Customers will pay a price where the utility derived is at least equal to the sacrifice made.

(iii) Extent of Competition:

- Higher competition lowers the price, while lesser competition allows firms to set higher profit margins.

(iv) Government and Legal Regulations:

- The government may intervene in price regulation to protect consumers from unfair pricing practices (e.g., price controls on essential commodities).

(v) Pricing Objectives:

- Firms aiming for short-term profit maximization may set higher prices, while those focusing on long-term sustainability may opt for lower pricing strategies.

(vi) Marketing Methods Used:

- Distribution systems, quality of sales personnel, advertising strategies, sales promotion, and packaging influence pricing decisions.

Quick Tip

Pricing decisions should balance cost, demand, competition, legal constraints, and business objectives to maximize profitability and consumer satisfaction.

31(a). Explain the following characteristics of Principles of Management:

(i) Universal Applicability

(ii) Formed by Practice and Experimentation

(iii) Contingent

Solution:

(i) Universal Applicability

- The principles of management are applicable to all types of organizations, whether business or non-business, small or large, public or private, manufacturing or service sectors.
- However, their extent of applicability varies based on the nature of the organization, its business activities, and scale of operations.

(ii) Formed by Practice and Experimentation

- Management principles are developed through the experience and collective wisdom of managers.
- These principles are also refined through continuous practice and experimentation in various business environments.

(iii) Contingent

- The application of management principles is contingent (dependent) upon the situation at a given point in time.
- These principles need to be adapted and modified according to specific organizational needs and external conditions.

Quick Tip

Management principles are flexible, experience-based, and situational, making them applicable to diverse organizational settings and business environments.

31(b). Explain the following principles of management:

(i) Division of Work

(ii) Order

(iii) Unity of Command

Solution:

(i) Division of Work

- Work should be divided into smaller tasks or jobs to enhance efficiency.
- Each task should be assigned to a trained specialist who is competent in that specific function.
- Specialization resulting from division of work increases productivity and quality of output.

(ii) Order

- This principle emphasizes that “A place for everything (everyone) and everything (everyone) in its (her/his) place”.
- Maintaining a fixed place for tools, materials, and personnel ensures smooth workflow without interruptions.
- Proper order in the workplace reduces time wastage, enhances discipline, and improves efficiency.

(iii) Unity of Command

- According to this principle, each employee should receive orders from and be accountable to only one superior.
- This prevents confusion regarding responsibilities, ensures accountability, and avoids conflicts in task execution.
- Example: If an employee receives conflicting instructions from multiple superiors, it can create inefficiency and reduced productivity.

Quick Tip

Division of work enhances specialization, **order** ensures efficiency, and **unity of command** maintains clear authority and accountability in organizations.

32(a). Explain the following factors affecting the working capital requirements of a business:

(i) Inflation

(ii) Business Cycle

(iii) Nature of Business

Solution:

(i) Inflation

- When prices rise due to **inflation**, businesses need **larger amounts of working capital** to maintain the same level of production and sales.
- The higher the rate of inflation, the greater the working capital requirements, as costs of raw materials, wages, and operational expenses increase.

(ii) Business Cycle

- During a **boom**, production and sales levels increase, leading to a **higher demand for working capital**.
- Conversely, during a **depression**, businesses experience lower sales and production, reducing the need for working capital.

(iii) Nature of Business

- **Trading businesses** require less working capital than **manufacturing businesses**, as they do not need to process goods.
- **Service-based industries** require the least working capital since they do not maintain **inventory or raw materials**.

Quick Tip

The working capital requirement of a business depends on economic conditions, inflation trends, and the type of industry, impacting financial planning and liquidity management.

32(b). Explain the following factors affecting the dividend decision of a company:

(i) Access to Capital Market

(ii) Legal Constraints

(iii) Taxation Policy

Solution:

(i) Access to Capital Market

- Large and well-established companies generally have easy access to capital markets, reducing their reliance on retained earnings for expansion.
- Such firms are more likely to pay higher dividends compared to smaller companies, which rely more on retained earnings due to limited capital access.

(ii) Legal Constraints

- Certain legal provisions in the Companies Act impose restrictions on dividend payments to protect creditors and shareholders.
- These regulations must be strictly followed when declaring dividends.

(iii) Taxation Policy

- If dividend tax rates are high, companies may prefer to retain earnings rather than distribute dividends to shareholders.
- Conversely, when tax rates on dividends are lower, companies may opt for higher dividend payouts to attract investors.

Quick Tip

Dividend decisions depend on capital market accessibility, regulatory requirements, and tax implications, balancing investor expectations and company growth.

33. 'Memo Builders' was constructing a five star hotel for a leading hotel chain. The hotel had to be given possession by next year but the construction of the hotel was running six months behind schedule. The Chief Executive Officer of 'Memo Builders' was concerned as Memo Builders was known for its quality and timely completion of projects. He asked Nitin, the senior of the Project Head for a thorough investigation. Nitin investigated and reported to the Chief Executive Officer that inspite of huge absenteeism of workers, additional workers were not called. Nitin also reported to the Chief Executive Officer that three of the ten machines being used by the workers were defective. Nitin ordered for repair of the machines and asked the Project Head to appoint additional workers with attractive wages to ensure that the deadline is met.

(a). Identify the function of management discussed in the given case. Quoting the lines from the case, explain the steps of the process of this function.

Solution:

Function of Management: Controlling

- Controlling involves monitoring performance, comparing it with standards, analyzing deviations, and taking corrective actions.

Steps of Controlling Process Discussed in the Case:

(i) Comparison of Actual Performance with Standards:

- Performance is measured against set benchmarks to identify deviations.

- **Quoted Line:** "The hotel had to be given possession by next year but the construction of the hotel was running six months behind schedule."

(ii) Analyzing Deviations:

- Causes of performance gaps are examined through techniques like Critical Point Control.

- **Quoted Line:** "Nitin investigated and reported that despite huge absenteeism, additional workers were not called."

(iii) Taking Corrective Actions:

- Corrective measures are taken to resolve performance deficiencies.

- **Quoted Line:** "Nitin ordered for machine repairs and asked to appoint additional workers."

Quick Tip

Controlling ensures that organizational activities remain aligned with planned objectives, reducing inefficiencies and maximizing performance.

(b). Explain any two points of importance of the function of management identified in (a).

Solution:

Importance of Controlling:

(i) Accomplishing Organisational Goals:

- Controlling ensures that actual performance aligns with planned objectives.
- By identifying deviations and taking corrective actions, organizations can stay on track to achieve their goals efficiently.

(ii) Making Efficient Use of Resources:

- Controlling helps in optimizing the use of financial, human, and material resources.
- It minimizes wastage and ensures that resources are allocated efficiently to maximize productivity.

Quick Tip

Controlling is essential for measuring performance, identifying deviations, and taking corrective actions to ensure efficiency and goal achievement.

34. The G20 Summit was organised in India. The government left no stone unturned to make G20 summit a success. At the higher level, the work to be performed was identified and grouped to enable people to work most effectively together for accomplishing 27 objectives. This involved building infrastructure, beautification of the city, hospitality, security arrangements etc. Duties were assigned to different job positions which led to establishment of clear relationships. This helped in creating a hierarchical structure and in co-ordination amongst all working for the summit

(a). Identify and explain the function of management discussed in the given case.

Solution:

Function of Management: Organising

- Organising involves identifying and grouping tasks, assigning responsibilities, and establishing a clear hierarchical structure.
- In the given case, duties such as infrastructure development, security, and hospitality were assigned systematically, ensuring smooth coordination.

Quick Tip

Organising ensures clarity in job roles, smooth workflow, and efficient coordination among different units of an organization.

(b). Explain any four points of importance of the function identified in (a).

Solution:

Importance of Organising:

- (i) **Benefits of Specialisation:** Work is divided among employees based on expertise, leading to increased efficiency and productivity.
- (ii) **Clarity in Working Relationships:** Clearly defined roles and responsibilities reduce conflicts and improve coordination.
- (iii) **Optimum Utilization of Resources:** Ensures the best use of available resources, minimizing wastage and redundancy.
- (iv) **Adaptation to Change:** A well-structured organization can respond effectively to changes in the business environment.

Quick Tip

A well-organized business structure enables smooth decision-making, better coordination, and overall efficiency.