

CBSE Class 12th Business Studies Question Paper with Solutions

SET-1

Time Allowed :3 hr	Maximum Marks :80	Total Questions : 34
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1. 'It is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.' Identify the process.

(1) Management

(2) Organising

(3) Staffing

(4) Directing

Correct Answer: (1) Management

Solution:

The definition in the question refers to the coordinated effort of individuals working in groups to efficiently achieve specific goals. This aligns with the concept of **management**, which is a comprehensive function in any organization. Management is the process of planning, organizing, staffing, directing, and controlling an organization's resources—including human resources—to achieve specific objectives effectively and efficiently.

In the given context, keywords like **designing and maintaining an environment**, **individuals working together in groups**, and **accomplishing selected aims** point toward a broad, goal-oriented function. Among the four options, only **management** encapsulates all these elements. - **Organising** refers to arranging tasks and resources. - **Staffing** is about recruiting and maintaining a workforce. - **Directing** focuses on leading and motivating.

However, **management** covers all these aspects. It is the umbrella term for all processes aimed at organizational efficiency and goal achievement. Therefore, the correct answer is (1) Management.

Quick Tip

Management is the umbrella function that integrates planning, organizing, staffing, directing, and controlling to achieve desired goals efficiently.

2. Kavi works as a Marketing Manager in stationery mart. It deals in various types of stationery items for many schools across the country. When new session starts in schools, Kavi forecasts the sales of different stationery products for each school for every month. All items are represented in numbers so that it becomes easier for him to compare the actual sales with expected sales.

The type of plan discussed above is :

- (1) Strategy
- (2) Policy
- (3) Programme
- (4) Budget

Correct Answer: (4) Budget

Solution:

The scenario explains that Kavi, the Marketing Manager, forecasts the sales of stationery products and compares actual sales to expected ones, using numerical values. This clearly indicates the use of a **budget**, which is a type of plan expressed in quantitative terms.

Let us evaluate all options: - **Strategy** refers to the broad, long-term plan to achieve objectives, usually qualitative and abstract. It involves decision-making at the highest level, like entering a new market or launching a new product line. - **Policy** is a general guideline that helps in decision-making within an organization, like customer return policies or employee behavior protocols. - **Programme** is a complex plan involving a series of steps and actions, such as launching a new educational campaign, where both objectives and resources are defined. - **Budget**, on the other hand, is a **quantitative plan**—expressed in numbers—used for comparing actual results with expected targets. It helps in planning, controlling, and evaluating financial performance.

Kavi is performing **forecasting**, and the sales figures are quantified for each month and school, which allows for performance measurement. This is the hallmark of budgeting.

Hence, the most appropriate and accurate answer is (4) Budget.

Quick Tip

A budget is a numerical plan that provides a basis for performance comparison and financial control.

3. Given below are two statements, Assertion (A) and Reason (R):

Assertion (A): Directing facilitates introduction of needed changes in the organization.

Reason (R): Directing increases resistance to changes in the organization.

Choose the correct alternative from the alternatives given below:

- (1) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (2) Assertion (A) is true, but Reason (R) is false.
- (3) Assertion (A) is false, but Reason (R) is true.
- (4) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

Correct Answer: (2) Assertion (A) is true, but Reason (R) is false.

Solution:

Let us understand the meaning and role of directing in management. ****Directing**** involves guiding, leading, supervising, and motivating employees toward achieving organizational goals. A key role of directing is to bring about desired changes by effectively communicating and motivating employees to embrace new goals, technologies, or methods.

Now let's evaluate the two statements: - ****Assertion (A):**** Correct. Directing indeed facilitates the introduction of needed changes in the organization. This is because it includes leadership and communication, which are essential in overcoming employee resistance and ensuring successful change management. - ****Reason (R):**** Incorrect. The statement that "Directing increases resistance to changes" is contradictory to the function of directing. Rather than increasing resistance, directing helps ****reduce resistance**** through motivation, clear communication, and support systems.

Thus, Assertion is true, but Reason is false.

Quick Tip

Directing plays a key role in change management by guiding and motivating employees to accept and adapt to change.

4. CVX Ltd. was a leading company, manufacturing home appliances like food processors, juicers and mixer grinders. The company was earning good profits and was paying high dividends to its shareholders consistently. The company now decided to manufacture soup-making machines, pop-up toasters and electric irons. The company wanted to enter into emerging markets out of India also. Entering these markets will require additional capital investment which will facilitate in production and distribution infrastructure etc. For this, the management decided to retain money out of their earnings to finance the required investment and distribute smaller dividend to the shareholders.

The factor affecting dividend decision which was kept in mind by the management of CVX Ltd. for entering into emerging markets and launching new products was :

- (1) Amount of Earnings
- (2) Stability of Earnings
- (3) Stability of Dividends
- (4) Growth Opportunities

Correct Answer: (4) Growth Opportunities

Solution:

The dividend decision depends on various factors like earnings, liquidity, stability, and growth prospects. In this case, CVX Ltd. decided to withhold part of their profits to fund ****new product development**** and ****entry into new international markets****, both of which require significant investment.

The key reason for reducing the dividend payout and retaining earnings was the company's decision to invest in ****future expansion and growth****. This directly relates to the factor called ****Growth Opportunities****, which refers to the potential avenues for expansion where the company can reinvest its earnings to generate higher future returns.

Explanation of other options: - ****Amount of Earnings:**** Though relevant, the company already had sufficient earnings; the decision was not due to limited profits. - ****Stability of**

Earnings:** Not applicable here; the firm had stable profits. - **Stability of Dividends:**
The company actually reduced the dividend, so it wasn't maintaining stable payouts.
Hence, the correct answer is (4) Growth Opportunities.

Quick Tip

Companies with high growth prospects prefer to retain earnings rather than distribute high dividends.

5. Read the following statements carefully :

Statement I: Staffing is that part of the process of management which is concerned with obtaining, utilizing and maintaining a satisfied and satisfactory workforce.

Statement II: Staffing is a continuous process.

In the light of the given statements, choose the correct alternative from the following:

- (1) Both the Statements are true.
- (2) Both the Statements are false.
- (3) Statement I is true, but Statement II is false.
- (4) Statement II is true, but Statement I is false.

Correct Answer: (1) Both the Statements are true.

Solution:

****Statement I**** correctly defines the essence of staffing. It involves recruiting the right people, utilizing their skills effectively, and ensuring their satisfaction through good working conditions, fair compensation, and development opportunities.

****Statement II**** is also true because staffing is not a one-time activity. People may retire, resign, or be promoted, and new projects may require additional human resources. Thus, staffing is a ****continuous process**** of analyzing needs, filling roles, and maintaining the workforce.

Hence, both statements correctly represent essential aspects of staffing.

Quick Tip

Staffing is a never-ending process that aligns human resource supply with organizational demand.

6. Choose the statement that correctly highlights the benefit of using internal sources of recruitment.

- (1) It helps in simplifying the process of selection.
- (2) It provides wider choice while selecting the employees.
- (3) It brings new blood in the organization.
- (4) It is an expensive and time consuming source.

Correct Answer: (1) It helps in simplifying the process of selection.

Solution:

Internal sources of recruitment refer to filling job vacancies using existing employees of the organization. Examples include promotions, transfers, and internal job postings.

One of the key advantages of internal recruitment is that it **simplifies the selection process**: - The candidates are already known to the organization. - Their performance, behavior, and work ethics are documented. - Less time and effort are required for training and orientation.

Let us evaluate the options: - **Option 1** is correct as internal candidates make the process more straightforward. - **Option 2** is false; wider choice is offered by external sources, not internal. - **Option 3** is false; internal recruitment does not bring “new blood” or new ideas. - **Option 4** is incorrect; internal recruitment is generally cost-effective and quicker.

Therefore, the correct answer is (1) It helps in simplifying the process of selection.

Quick Tip

Internal recruitment is faster, cheaper, and more reliable since the candidates are already familiar with the organization.

7. Atul was working as an employee in a readymade garments factory. He was very sincere and dedicated and always completed his work in time. It pained him to see that his colleagues were reluctant to do the work even though they had the ability to do it. Due to his good behaviour and willingness to work, he was promoted to the post of the

supervisor of the same team in which he was a worker earlier. He understood very well that it was not always possible to get the best of work from employees merely by exercising formal authority. He had insights into the causes of behaviour of people. He knew how to get the work done by the workers in a desired manner to achieve the organizational objectives. Under his supervision even the workers who were reluctant to work started working efficiently and effectively.

From the following, identify the concept used by Atul, as a supervisor to get the work completed:

- (1) Leadership
- (2) Financial Incentives
- (3) Motivation
- (4) Non-financial Incentives

Correct Answer: (1) Leadership

Solution:

The situation describes **Leadership**, which is the ability to influence others to willingly follow guidance and achieve desired outcomes. Atul's behavior clearly showcases leadership in action:

- He understood that merely using formal authority doesn't ensure productivity. - Instead of giving orders, he inspired and guided his team. - Workers who were earlier reluctant became efficient under his leadership. - He created a motivating and disciplined environment using behavioral understanding.

Let us analyze the options: - **Option 1 (Leadership)** is correct because Atul demonstrated the traits of an effective leader—motivating others through personal example and psychological insight. - **Option 2 (Financial Incentives)** is incorrect; there's no mention of monetary motivation. - **Option 3 (Motivation)** is a related term but too broad. Leadership is a more specific and accurate term in this context. - **Option 4 (Non-financial Incentives)** is incorrect; there's no mention of perks like recognition, awards, etc.

Hence, the concept shown is Leadership.

Quick Tip

Leadership means inspiring people to work willingly, not forcing them with authority.

8. 'Isha Sweets' was set by Isha Sharma to prepare and sell organic, vegan and healthy sweets alternatives like hazelnuts date ladoos, dry fruit date burfi, stuffed mejdool date etc. For the last many years, the demand for her products was very high as people these days prefer to buy healthier alternatives for consumption as well as gifting purposes. But this year suddenly, the cost of dates, dry fruits and other ingredients used for preparing these healthy sweets had increased. With rising prices of raw materials, larger amounts of funds were required to maintain a constant volume of production and sales. As a result, the working capital requirement of 'Isha Sweets' became higher. The factor which led to an increase in the working capital requirements of 'Isha Sweets' was:

- (1) Availability of raw material
- (2) Inflation
- (3) Scale of business
- (4) Production cycle

Correct Answer: (2) Inflation

Solution:

The passage clearly states that the **rising prices of raw materials** increased the cost of preparing sweets, which in turn led to a higher working capital requirement. This is a direct result of **inflation**.

Let us analyze the options: - **Option 2 (Inflation)** is correct because the increased prices directly caused the need for more funds. - **Option 1 (Availability of raw material)** is not the issue; availability isn't mentioned as a problem. - **Option 3 (Scale of business)** is unchanged. - **Option 4 (Production cycle)** is not discussed.

Hence, the correct answer is **Inflation**.

Quick Tip

Inflation = Increase in price levels, leading to higher working capital needs.

9. 'The process of organizing allows a business enterprise to accommodate changes in the business environment. It allows the organization structure to be suitably modified to pave the

way for a smooth transition.’ The point of importance of organizing function of management highlighted in the above lines is:

- (1) Benefits of specialization
- (2) Clarity in working relationships
- (3) Optimum utilization of resources
- (4) Adaptation to change

Correct Answer: (4) Adaptation to change

Solution:

The passage discusses how organizing helps businesses **modify structure to adapt to changes in the environment**, ensuring smooth transitions. This directly points to **adaptation to change**.

Let us analyze the options: - **Option 4 (Adaptation to change)** is correct as the passage focuses on accommodating business environment changes. - **Option 1 (Benefits of specialization)** is unrelated here. - **Option 2 (Clarity in relationships)** is not emphasized. - **Option 3 (Optimum utilization of resources)** is not the focus of the passage.

Hence, the correct answer is **Adaptation to change**.

Quick Tip

Organizing helps the business stay flexible and adjust to changes.

10. A buyer buys a product or service for what it does for him / her or the benefit it provides to him / her. There can be three types of benefits a consumer may seek to satisfy from the purchase of a product: (i) Functional benefits, (ii) Social benefits and (iii) _____

- (1) Technological benefits
- (2) Economic benefits
- (3) Psychological benefits
- (4) Environmental benefits

Correct Answer: (3) Psychological benefits

Solution:

The three types of benefits that a consumer seeks from a product are: - **Functional benefits** (practical use), - **Social benefits** (status or recognition), and - **Psychological benefits** (emotional satisfaction, personal value).

Let us analyze the options: - **Option 3 (Psychological benefits)** is correct because it completes the classic trio of consumer benefit categories. - **Options 1, 2, and 4** are not standard classifications in this model.

Hence, the correct third benefit is **Psychological benefits**.

Quick Tip

Consumers look for usefulness, social image, and emotional connection.

11. Nimesh was working as a Production Manager in H.L. Ltd., an electrical wire manufacturing company. One of the vendors who was supplying copper to H.L. Ltd. wanted to close down his business within 15 days as he had to go abroad to live with his son. The vendor was selling all his stocks at 60% discount. Nimesh wrote a letter to the General Manager to seek approval for procurement of this material. But due to rigid rules and cumbersome procedures there was delay in getting sanction and order could not be placed. The type of communication barrier that led to procedural delay was:

- (1) Semantic barrier
- (2) Psychological barrier
- (3) Organizational barrier
- (4) Personal barrier

Correct Answer: (3) Organizational barrier

Solution:

The delay in approval was due to **rigid rules and cumbersome procedures**, which are part of an organization's internal system and structure. This is a classic example of an **Organizational Barrier** to communication.

Let us analyze the options: - **Option 3 (Organizational barrier)** is correct as it relates to delays due to formal structure and processes. - **Option 1 (Semantic barrier)** relates to language or meaning issues. - **Option 2 (Psychological barrier)** relates to emotions or

mental state. - **Option 4 (Personal barrier)** relates to personal issues of the communicator.

Therefore, the delay was due to an **Organizational barrier**.

Quick Tip

Delays due to systems or hierarchy = Organizational barriers.

12. "The right of an individual to command his subordinates and to take action within the scope of his position" is called:

- (1) Decentralization
- (2) Authority
- (3) Responsibility
- (4) Accountability

Correct Answer: (2) Authority

Solution:

Authority is the official right given to a manager to command and take action in an organization. It is linked to the position held and allows the person to issue instructions and expect compliance.

Let us analyze the options: - **Option 2 (Authority)** is correct as it defines the right to give orders and enforce obedience. - **Option 1 (Decentralization)** is the systematic delegation of authority. - **Option 3 (Responsibility)** is the obligation to perform a task. - **Option 4 (Accountability)** is being answerable for the outcome.

Hence, the correct concept is **Authority**.

Quick Tip

Authority = Right to give orders. Responsibility = Duty to do work.

13. As per the Consumer Protection Act, 2019 which of the following statement is correct?

- (1) A complaint can be filed in a State Commission when the value of goods or services paid as consideration exceeds 20 lakhs but does not exceed 1 crore.

(2) The District Commission can entertain complaints where the value of goods or services paid as consideration does not exceed 50 lakhs.

(3) A complaint can be filed in the National Commission only when the value exceeds 10 crore.

(4) The District Commission has no authority to entertain complaints under the Consumer Protection Act, 2019.

Correct Answer: (2) The District Commission can entertain complaints where the value of goods or services paid as consideration does not exceed 50 lakhs.

Solution:

As per the **Consumer Protection Act, 2019**, the pecuniary jurisdiction of the commissions was revised:

- **District Commission**: Can hear cases where the value of goods/services **does not exceed 50 lakhs**. - **State Commission**: For cases exceeding 50 lakhs but **not exceeding 2 crore**. - **National Commission**: For cases exceeding 2 crore.

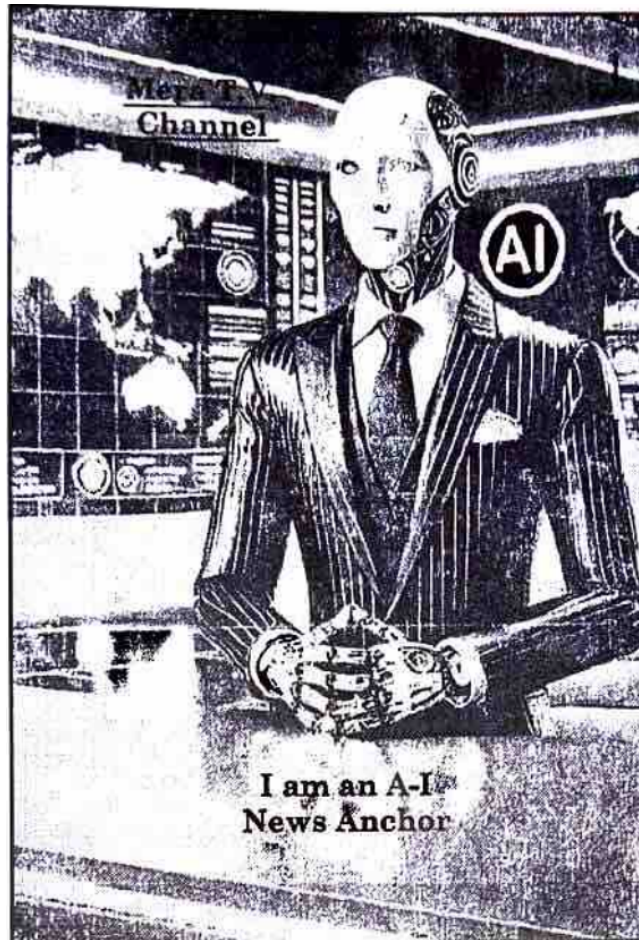
Let us analyze the options: - **Option 1** is outdated. The threshold for State Commission has changed. - **Option 2** is correct and aligned with the latest amendment. - **Option 3** is incorrect; the limit for National Commission is now 2 crore, not 10 crore. - **Option 4** is completely incorrect; the District Commission is the first-level consumer dispute forum.

Hence, the correct statement as per the Act is Option (2).

Quick Tip

Always check for the updated monetary jurisdiction in law-based questions; acts often get amended.

14. Identify the dimension of business environment illustrated by the given picture:



- (1) Social
- (2) Political
- (3) Technological
- (4) Economic

Correct Answer: (3) Technological

Solution:

The image shows a robotic news anchor with the label "AI", reflecting advancements in artificial intelligence and automation. This directly connects to Technological changes in the business environment, showing how technology is transforming industries and roles.

Let's evaluate:

Option C (Technological) is correct as it reflects automation and AI in business.

Option A (Social) relates to cultural and demographic shifts.

Option B (Political) involves government policy and regulation.

Option D (Economic) is about inflation, interest rates, etc.

So, the right dimension is Technological.

Quick Tip

Technology changes the way businesses operate — from machines to AI.

15. Given below are two statements, Assertion (A) and Reason (R):

Assertion (A): Planning involves looking ahead and preparing for the future. **Reason (R):**

The purpose of planning is to meet future events effectively to the best advantage of an organization.

Choose the correct alternative from the alternatives given below: (1) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

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

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

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

Correct Answer: (1) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Solution:

Planning is a forward-looking function — it is based on forecasting and setting goals. The Reason correctly explains why: to tackle future events for organizational benefit.

So:

Both A and R are true.

R is a valid explanation of A.

Quick Tip

Planning = Future + Preparation = Success.

16. Match the techniques of scientific management given in Column – I with their meaning in Column – II:

Column – I	Column – II
(a) Method Study	(i) It refers to the study of movements like lifting, putting objects, sitting and changing positions etc. which are undertaken while doing a typical job.
(b) Motion Study	(ii) It determines the amount and frequency of rest intervals in completing a task.
(c) Time Study	(iii) It determines the standard time taken to perform a well defined job.
(d) Fatigue Study	(iv) It determines one best way of doing a job.

Choose the correct option:

- (1) (ii), (iii), (i), (iv)
- (2) (i), (iv), (ii), (iii)
- (3) (iv), (i), (iii), (ii)
- (4) (iii), (ii), (iv), (i)

Correct Answer: (3) (iv), (i), (iii), (ii)

Solution:

Let's match:

- (a) Method Study → (iv) Best way to do the job.
- (b) Motion Study → (i) Movements while performing a task.
- (c) Time Study → (iii) Standard time to complete the task.
- (d) Fatigue Study → (ii) Rest intervals to reduce tiredness.

Hence, correct sequence is: (iv), (i), (iii), (ii).

Quick Tip

Taylor's studies = Ways + Time + Movement + Rest.

17. Akshara runs a business in the name of 'AK Solutions' in a well reputed area of her city where people provide spaces to students as library, as study centres and as training and event centres to businesses. Akshara provides only conference halls to big and small enterprises for their meetings and events.

Suddenly, in July 2024, floods affected some libraries and study centres in her neighbouring area. The exams were fast approaching and students were facing a lot of problems as these study centres and libraries had to be closed.

Taking advantage of this opportunity and to help the students 'AK Solutions' adapted itself

to the needs of the environment, they decided to convert some of their conference halls into libraries and study centres. They also decided to provide food and other facilities required by the students at subsidized rates. This initiative increased their business manifold and earned them significant goodwill.

The feature of management highlighted in the above case is : 1

- (1) Management is a continuous process.
- (2) Management is an intangible force.
- (3) Management is a dynamic function.
- (4) Management is a group activity.

Correct Answer: (3) Management is a dynamic function.

Solution:

Management is considered a dynamic function because it must adapt to the changing environment. In the given case, Akshara changed her business model from just providing conference halls to creating temporary libraries and study centres due to the flood situation. This decision shows responsiveness to external changes and a proactive approach to meet emerging needs. By doing so, AK Solutions not only helped students but also gained goodwill and expanded its business. This ability to modify plans and align operations according to external factors like social conditions, economic shifts, and natural disasters illustrates the dynamic nature of management.

Quick Tip

Management adapts to external factors like disasters, market trends, or policy changes — this makes it a dynamic function.

18. 'Increase in the profit earned by the equity shareholders due to the presence of fixed financial charges like interest' is called : 1

- (1) Financial planning
- (2) Dividend decision
- (3) Financing decision
- (4) Trading on equity

Correct Answer: (4) Trading on equity

Solution:

Trading on equity refers to the use of fixed interest-bearing securities (like debentures and preference shares) to increase the return on equity. When a company borrows funds at a fixed cost (interest), and the return on total investment exceeds this cost, the surplus benefits equity shareholders, leading to higher earnings per share (EPS). This concept leverages debt to magnify profits for owners. It is a financial strategy that enhances shareholders' returns during favorable business conditions, but it also involves higher financial risk.

Quick Tip

Trading on equity = Using fixed cost funds (like debt) to boost returns for equity holders.

19. Read the following statements carefully :

Statement – I : The cost of debt is more than the cost of equity.

Statement – II : Lenders risk is lower than the equity shareholders risk.

In the light of the given statements, choose the correct alternative from the following : 1

- (1) Both the Statements are true.
- (2) Both the Statements are false.
- (3) Statement I is true, Statement II is false.
- (4) Statement I is false, Statement II is true.

Correct Answer: (4) Statement I is false, Statement II is true.

Solution:

Statement I is false because the cost of debt is generally lower than the cost of equity. Debt involves fixed interest payments and has tax benefits (interest is tax-deductible), making it a cheaper source of finance. Equity shareholders, on the other hand, demand higher returns due to the higher risk they bear.

Statement II is true. Lenders (such as banks or bondholders) are promised fixed payments and are repaid before equity shareholders in case of liquidation. This makes their investment less risky compared to that of equity shareholders, who receive returns only after all other obligations are met and face uncertainty in dividends.

Quick Tip

Cost of debt ; Cost of equity due to tax advantages and fixed returns. Less risk = less return.

20. 'To ensure that enough funds are available at right time to honour the commitments and to carry out the plans' is discussed in which of the following concepts ?

- (1) Capital Structure
- (2) Financial Leverage
- (3) Financial Planning
- (4) Investment Decision

Correct Answer: (3) Financial Planning

Solution:

Financial planning involves estimating the required capital and determining its competition. It ensures that funds are available when needed and are used efficiently. It prevents situations of over-capitalization (excess funds leading to idle money) and under-capitalization (shortage of funds affecting operations). Good financial planning supports smooth operations, timely fulfillment of commitments, and successful execution of strategies.

Quick Tip

Financial Planning = Right amount of funds at the right time for smooth business functioning.

21. (1) Explain the following functions of Stock Exchange :

- (i) Providing liquidity and marketability to existing securities
- (ii) Pricing of securities
- (iii) Safety of transaction

Solution:

(i) Providing liquidity and marketability to existing securities:

Stock exchanges offer a ready market where existing securities can be easily bought or sold. This ensures liquidity, as investors can convert their shares into cash when needed. This

encourages more people to invest in securities, knowing they can be resold easily.

(ii) Pricing of securities:

Prices of securities on the stock exchange are determined through market forces of demand and supply. This helps in fair valuation of companies and allows investors to make informed decisions. It reflects the financial health, performance, and future prospects of companies.

(iii) Safety of transaction:

Stock exchanges are regulated by statutory bodies like SEBI (in India), ensuring that transactions are conducted in a fair and transparent manner. This builds investor confidence by protecting them from fraud and malpractice.

OR

(2) Differentiate between 'Primary Market' and 'Secondary Market' on the basis of any three points.

Solution:

Primary Market	Secondary Market
Securities are issued for the first time (new issues).	Securities are traded between investors (resale of existing shares).
Company receives the funds directly from investors.	Funds go to the seller of the securities, not the company.
Involves underwriting and issuing processes.	Involves buying and selling through stock exchanges.

Quick Tip

Primary Market = New Issue; Secondary Market = Resale.

22. Radhika runs a business of supplying high class facial kits to beauty parlours in various cities of the country. Initially, the business was doing well and her products were popular. Despite the high quality of the products, Radhika faced difficulties in certain parlours, especially in Kagpur city, where her products failed to gain a strong market presence. To understand the cause, she appointed a qualified marketing manager. The marketing

manager discovered that there was no proper exchange of facts, ideas and views etc. between the incharge of Kagpur city and the employees at different parlours at Kagpur. Vicky, who was the incharge and responsible for overseeing all parlours in Kagpur, was unable to effectively foster a common understanding of the product among the employees. As a result, the employees did not grasp the key benefits and features of the high class facial kits. In turn, the employees were not able to convince potential clients about the product's value.

(1) Identify the concept discussed in the above case.

(2) The concept identified in (1) above can be defined as a process having various elements. State first five elements of this process.

Correct Answer:

(1) The concept is **Communication**.

(2) First five elements of the communication process are:

1. **Sender**
2. **Message**
3. **Encoding**
4. **Media/Channel**
5. **Receiver**

Solution:

(1) The concept being discussed in this case is **Communication**. Communication in management refers to the exchange of information, facts, ideas, opinions and emotions between two or more people to create a common understanding. In this case, Radhika's company failed to establish effective communication between the city incharge (Vicky) and employees at different parlours in Kagpur. Because of this, employees lacked clarity on the features and benefits of the product and were thus unable to market it effectively to customers.

(2) Communication is a process involving several elements. The first five essential elements of this process are:

1. **Sender:** The person who initiates the communication. In this case, Vicky (or the central office) should have acted as the sender.
2. **Message:** The actual content or information that is to be communicated — the product

features, benefits, etc.

3. **Encoding:** The process of converting the message into symbols (words, diagrams, gestures, etc.) that the receiver can understand.
4. **Media/Channel:** The means through which the message is transmitted — meetings, emails, instructions, training sessions, etc.
5. **Receiver:** The person who receives the message — the employees at various parlours in Kagpur.

Due to the failure in this process, especially in encoding and channel, the message was not delivered or understood properly, leading to a communication gap.

Quick Tip

Effective communication = clarity + understanding + proper channel. Even good products fail if communication breaks down.

23. (1) Give the meaning of 'Capital Market'. Differentiate between 'Capital Market' and 'Money Market' on the basis of :

- (i) Participants
- (ii) Instruments

OR

(2) State any three 'Regulatory functions' of Securities and Exchange Board of India.

Correct Answer:

(1) **Meaning:** Capital Market refers to a market where long-term securities such as shares, debentures and bonds are traded. It helps in mobilizing funds for long-term investment.

Difference between Capital Market and Money Market:

Basis Money Market	Capital Market
Participants RBI, banks, financial institutions, companies.	Individuals, institutions, companies, and government.
Instruments Treasury bills, commercial papers, certificates of deposit, etc.	Shares, debentures, bonds, etc.

OR

(2) Regulatory functions of SEBI:

1. **Registration:** SEBI registers brokers, sub-brokers, mutual funds, etc., and regulates their functioning.
2. **Prohibition of Fraudulent Practices:** SEBI checks insider trading and other unfair practices by monitoring and punishing offenders.
3. **Investor Protection:** SEBI promotes fair practices and ensures investor education to protect the interests of the investing public.

Solution:

(1) Capital Market is a financial market that deals with long-term investment instruments. It serves as a channel for raising funds for companies and governments. It comprises both the primary market (where new securities are issued) and the secondary market (where existing securities are traded).

Capital Market vs. Money Market:

- **Participants:** Capital market involves retail investors, institutional investors, and corporations. Money market participants are more institutional, such as banks, RBI, and large corporations.

- **Instruments:** Capital market instruments are long-term and include shares and bonds. Money market instruments are short-term, highly liquid, and include treasury bills and commercial papers.

(2) SEBI acts as a regulator to maintain the efficiency and transparency of the capital market.

Its key regulatory functions include:

- Ensuring all market intermediaries are registered and comply with rules.
- Detecting and preventing fraud like insider trading to maintain market integrity.
- Educating and safeguarding investors from malpractices through awareness programs and disclosures.

Quick Tip

Capital Market = Long-term funds — Money Market = Short-term funds. SEBI = Regulator of both.

24. Aman, a young graduate was living away from home in another city. He had problems in cooking and heating food. He decided to purchase a microwave oven for the same. He went to the market, visited many shops and compared various microwave oven brands available in the market. He compared features, price, after-sale service and customer reviews etc. to make an informed choice as per his needs.

After selecting the oven, he checked that it should have an ISI mark. This gave him confidence about the safety, standards and quality of the oven.

After reaching home he followed the manufacturer's instructions for safe installation and use of microwave oven. This helped him in avoiding any risk associated with the usage of microwave oven.

By doing all this Aman kept in mind various responsibilities while purchasing and using the microwave oven. Still he left some of the responsibilities that were not fulfilled by him.

State any three such responsibilities.

Correct Answer:

Three responsibilities not fulfilled by Aman could be:

1. He did not ask for a proper bill or invoice for the purchase.
2. He may not have checked the warranty or guarantee terms thoroughly.
3. He did not compare energy efficiency ratings (e.g., star ratings).

Solution:

While Aman did take several important steps as a responsible consumer (like comparing brands, checking for ISI mark, and following usage instructions), he overlooked a few key duties such as ensuring proper documentation, checking warranty conditions, and verifying the energy efficiency. These are essential for long-term protection and responsible consumption.

Quick Tip

Always ask for a bill, check warranty and energy rating while purchasing appliances.

25. (1) Explain the following principles of management given by Fayol:

4

- (i) Division of work
- (ii) Authority and Responsibility

OR

(2) Explain the following points of significance of principles of management:

- (i) Providing managers with useful insights into reality.
- (ii) Optimum utilization of resources and effective administration.

Correct Answer:

(1)

- **Division of Work:** It means work should be divided into small tasks and each task should be assigned to the right person to increase efficiency and expertise.
- **Authority and Responsibility:** There must be a balance between authority (power to give orders) and responsibility (duty to complete the job).

OR

(2)

- **Insight into Reality:** Principles guide managers to see situations clearly and deal with them efficiently.
- **Optimum Utilization:** Helps in avoiding wastage and achieving maximum results using minimum resources.

Solution:

Fayol's principles are timeless and help managers maintain consistency and clarity in work division and accountability. They also serve as a practical guide for efficient administration and decision-making.

Quick Tip

Division of work boosts efficiency. Authority must match responsibility.

26. (1) Explain the following features of co-ordination:

4

- (i) Co-ordination integrates group efforts.
- (ii) Co-ordination is the responsibility of all managers.

OR

(2) Explain the following features of management:

- (i) Management is a goal-oriented process.
- (ii) Management is a continuous process.

Correct Answer:

(a)

- **Integration of Group Efforts:** Coordination unifies the efforts of individuals towards achieving common goals.
- **Responsibility of Managers:** All managers at all levels are responsible for coordinating tasks and people under their supervision.

OR

(2)

- **Goal-Oriented:** All activities are directed towards achieving organisational goals.

- **Continuous Process:** Management is an ongoing function that continues as long as the organization exists.

Solution:

Co-ordination and management features ensure effective working by aligning efforts and resources. They are foundational to organizational success.

Quick Tip

Co-ordination binds efforts; management never stops and always works towards goals.

27. Nisha had given some old dresses of her own to her house-helper Beenu. After a few days, Nisha was happily surprised when she saw Beenu wearing one of the dresses beautifully refurbished. On enquiry, Beenu told Nisha that this was done by her daughter who had just completed her Class 12th studies. Beenu also told Nisha that she was a little concerned as her daughter did not want to study further. Nisha was very much impressed by the creativity of Beenu's daughter, so she decided to set up a small business for her. Nisha bought 15 sewing machines and appointed 15 girls to refurbish the old dresses. Nisha also arranged old dresses from various sources and employed a person who will sell these dresses at a very low cost for the ones who could not purchase new dresses due to their low income. Nisha divided the girls in three equal groups, each having five sewing machines. Each group was given a target of refurbishing 150 old dresses in a fortnight with a cost of Rs. 30 per dress.

After a fortnight, Nisha who was supervising this business with Beenu was informed that Group I was able to meet the target by refurbishing 150 old dresses at a cost of Rs. 30 per dress. Group II was able to refurbish 150 old dresses at a cost of Rs. 35 per dress, whereas Group III could refurbish only 140 old dresses but at a cost of Rs. 27 per dress.

(i) Identify the concepts of management discussed above for each of the three groups giving reason in support of your answer. 4

(ii) Give meaning of the concepts identified in (i) above and state which one is important for the management and why?

Correct Answer:

(i) The concepts of management identified are:

- **Group I:** Efficiency – They achieved the target at the specified cost.
- **Group II:** Effectiveness – They completed the target but at a higher cost.
- **Group III:** Neither effective nor efficient – They failed to meet the target despite lower cost.

(ii)

- **Efficiency:** Doing tasks correctly with minimum cost and resources.
- **Effectiveness:** Completing tasks correctly regardless of cost.
- **Importance:** Both are important, but effectiveness is prioritized in goal achievement. Efficiency supports long-term sustainability.

Solution:

Management is successful when both effectiveness and efficiency are balanced. Group I is ideal as they achieved targets within the cost. Group II lacked efficiency. Group III lacked effectiveness.

Quick Tip

Efficiency = Minimum cost; Effectiveness = Goal achievement. Both are essential in management.

28. Prachi is working as an academic counsellor for specially abled students at one of the top schools to provide special support and guidance to these students. She clearly states in advance the methods of teaching and tackling the students. She ensures that the goals are clearly stated for each and every teacher so that they act as a guide for deciding what action should be taken and in which direction.

Her well laid plans will serve as a basis for coordinating the activities and efforts of teachers teaching different subjects to these students. It helps the teachers in bringing clarity of thought and action to their work.

Identify and explain the two points of importance of 'Planning' function of management highlighted in the above para. 4

Correct Answer:

The two points of importance of planning are:

1. **Planning provides direction:** The goals and methods stated by Prachi guide the teachers to decide what actions are to be taken.
2. **Planning facilitates coordination:** Her plans serve as a common framework to coordinate the teaching efforts of different teachers.

Solution:

Planning ensures that individuals and departments work towards common objectives. It aligns the efforts of all towards set goals and facilitates smooth functioning. It is important because it brings unity and clarity to operations.

Quick Tip

Planning = Direction + Coordination. Always read the case to match planning features.

29. Going to gym and following a protein diet has become a popular trend these days. However, with the busy work culture, many people, especially the youth struggle to find time for weight loss programmes.

Anika was working in a multi-national company, wanted to join a gym for weight loss but could not find time. There is no good gym near her house.

One day, Anika was walking out of the office during lunch time and saw an attractive poster of a gym which was near her house. Anika was curious to enquire about their weight loss programme. Next day, when she went to the gym, she was surprised to know about various schemes offered by the gym. They were not only offering 50% discount on the fee of weight loss programme, but were also providing free coach facility and free protein diet for the customer. But these offers were valid only for 10 days. Attracted by these schemes Anika immediately submitted the fee and joined the gym.

(i) Identify and give the meaning of the element of marketing-mix discussed above.

(ii) The element of marketing-mix identified in (i) above includes various tools of communication. Identify and explain the tools highlighted in the above para. 4

Correct Answer:

(i) Element: Promotion

Meaning: Promotion refers to the activities that communicate the merits of the product and persuade customers to buy it.

(ii) Tools of Promotion:

- **Advertising:** Attractive poster of the gym that caught Anika's attention.
- **Sales Promotion:** 50% discount on the fee, free coaching and free protein diet were used as promotional incentives.

Solution:

Promotion plays a vital role in marketing by informing, persuading, and reminding customers about the product. In the case, both advertising and sales promotion are effectively used to attract customers.

Quick Tip

Promotion = Advertising + Personal Selling + Sales Promotion + Publicity.

30. The demand for take away food business is increasing day-by-day. People working in multi-national companies have to work till night very often and they are reluctant to cook food. Taking advantage of this opportunity, Amit and Bijoy started 'Langar', a take away food business. The food became famous because of its good quality and standards of hygiene followed by them.

Over the years, the business became very profitable. They decided to expand the business by opening more branches in different cities. To ensure consistent food quality at all branches and to maintain the hygiene and quality they planned to import machines with advanced technology. The cost of each machine was Rs. 12 crores. They knew that this decision has to be taken very carefully, as it involves a huge cost and that the decision, once taken is irreversible.

(i) Identify and state the financial decision discussed in the above para.

(ii) Explain any two factors affecting the decision identified in (i) above. 4

Correct Answer:

(i) **Investment Decision:** The decision to buy machines worth Rs. 12 crores for expansion is an investment decision involving allocation of capital to long-term assets.

(ii) **Factors affecting Investment Decision:**

1. **Return on Investment:** Expected profits from expanding to more branches.
2. **Risk:** Involves a huge cost and is irreversible, hence risky.

Solution:

Investment decisions involve evaluating the profitability and safety of investing in fixed assets. Amit and Bijoy had to assess the return and associated risk before buying the machines.

Quick Tip

Investment Decision = Long-term assets. Key = Return vs. Risk.

31. (1) Explain the following steps in the process of selection: 6

- (i) Preliminary Screening
- (ii) Selection Tests
- (iii) Employment Interview
- (iv) Reference and Background Checks

OR

(2) Explain the following non-financial incentives: 6

- (i) Status
- (ii) Organisational climate
- (iii) Job Enrichment
- (iv) Employee Participation

Correct Answer:

(1) **Steps in Selection Process:**

1. **Preliminary Screening:** Initial shortlisting of applicants.

2. **Selection Tests:** Tests to assess skills, aptitude, and personality.
3. **Employment Interview:** Face-to-face interaction to assess suitability.
4. **Reference Background Checks:** Verifying past records and credentials.

OR (2) Non-Financial Incentives:

1. **Status:** Respect and position in the organization.
2. **Organisational Climate:** Positive working environment.
3. **Job Enrichment:** Giving challenging and interesting tasks.
4. **Employee Participation:** Involving employees in decision making.

Solution:

Selection is a step-by-step process to hire the right candidate. Each step eliminates unsuitable applicants and ensures right fit. Non-financial incentives motivate employees beyond monetary benefits. They fulfill psychological and social needs.

Quick Tip

Selection = Filter for best candidate. Non-Financial = Psychological Motivators.

32. Asha was running a business of producing and selling pickles, murabbas and papad etc. She was earning a good profit for the last many years. Now, she wanted to add some new products in her product line. Seeing the growing demand of millets, she decided to add some millet products. After doing a lot of market research, she found out that the demand for millet noodles, pasta and ready to eat millet cereals was increasing day-by-day. To give a different taste and to have uniqueness in her products, she prepared a new tasty herb based sauce for cooking these products and decided to launch this along with millet products in the market. For this Asha hired 10 additional women workers specially trained for the same. However, despite adding more workers, to her surprise, production was not upto the mark. Concerned about this and to ensure that the activities were performed as per the plans, and that the resources were being used effectively and efficiently for the achievement of predetermined goals, Asha appointed a supervisor Nabita. Nabita monitored the activities

and discovered that two of the newly hired workers were spending their whole day gossiping and distracting the other workers. As a result the production was low.

- (1) Identify and state the function of management discussed above.
- (2) State any five points of importance of the function identified in (1).

Correct Answer:

(1) Function of Management: Controlling

Controlling ensures that activities in an organization are being performed as per the plans and standards.

(2) Importance of Controlling:

- (a) Helps in achieving organizational goals.
- (b) Judging accuracy of standards.
- (c) Ensures efficient use of resources.
- (d) Improves employee motivation.
- (e) Facilitates coordination in action.

Solution:

Controlling is the managerial function that involves monitoring activities, comparing actual performance with planned performance, and taking corrective actions. In the case, Asha ensured productivity through controlling by appointing Nabita who identified deviations.

Quick Tip

Controlling = Monitor + Compare + Correct. Ensures performance matches plans.

-
- 33. (1) State any three advantages and any three limitations of formal organization. OR**
(2) State any six advantages of functional structure of organization.

Correct Answer:

(1) Advantages of Formal Organization:

- (a) It clearly defines the authority-responsibility relationship.

- (b) It leads to achievement of organizational objectives.
- (c) It ensures unity of command.

Limitations of Formal Organization:

- (a) It leads to procedural delays.
- (b) It ignores social needs of employees.
- (c) It is rigid and lacks flexibility.

OR

(2) Advantages of Functional Structure:

- (a) Leads to specialization.
- (b) Brings efficiency in operations.
- (c) Facilitates coordination within departments.
- (d) Easier supervision due to similar skill set.
- (e) Ensures better control and accountability.
- (f) Helps in training and development within specialization.

Solution:

Formal organization is a structured and officially established pattern of relationships. It provides clarity but can be rigid. Functional structure divides work based on specialized functions, promoting expertise and efficiency.

Quick Tip

Formal = Official Rigid; Functional = Specialized Efficient.

34. Ravi and Megha started 'Energylights' a company manufacturing energy-efficient LED lighting after realizing an increasing demand for the same. Manufacturing high-quality LED lights with some unique features required substantial investment in technology and high-grade materials. This pushed up their cost of manufacturing. To determine the price of their LED lights they not only wanted to cover all costs but also wanted to earn a margin of

profit over and above the costs. This will set for them the minimum level or the floor price at which the LED lights would be sold. The high demand and the utility provided by these lights will set the upper limit of the price.

Though there was enough competition in LED lights business, even then they kept the price of their lights higher than the competitors because of good quality and its features. They justified the higher price because of the product differentiation and unique methods of advertising and sales promotion etc.

Quoting lines from the above para, identify and explain any three factors which were taken into consideration by Ravi and Megha to determine the price of their LED lights.

Correct Answer:

1. **Cost of Manufacturing:** *“This pushed up their cost of manufacturing.”* — They considered the production cost as the floor price.
2. **Demand and Utility:** *“The high demand and the utility provided by these lights will set the upper limit of the price.”*
3. **Product Differentiation and Quality:** *“They justified the higher price because of the product differentiation and unique methods of advertising.”*

Solution:

Ravi and Megha considered cost-based pricing (covering manufacturing expenses), demand-based pricing (considering consumer utility and willingness to pay), and competition-based pricing (differentiating their product quality and features) while setting prices. These are key pricing factors in any market.

Quick Tip

Price = Cost (minimum) + Demand (maximum) + Differentiation (competitive edge).