

## CBSE Class 12 2025 Business Studies 66-1-2 Question Paper Set 2 With Solutions

Time Allowed :3 Hours	Maximum Marks :80	Total Questions :33
-----------------------	-------------------	---------------------

### General Instructions

**Read the following instructions very carefully and strictly follow them::**

1. This question paper contains 33 questions. All questions are compulsory.
2. This question paper is divided into five sections Sections A, B, C, D and E.
3. In Section A Questions no. 1 to 16 are Multiple Choice type questions. Each question carries 1 mark.
4. In Section B Questions no. 17 to 21 are Very Short Answer type questions. Each question carries 2 marks.
5. In Section C Questions no. 22 to 28 are Short Answer type questions. Each question carries 3 marks.
6. In Section D Questions no. 29 and 30 are case study-based questions. Each question carries 4 marks.
7. In Section E Questions no. 31 to 33 are Long Answer type questions. Each question carries 5 marks.
8. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions in all the Sections except Section A.
9. Kindly note that there is a separate question paper for Visually Impaired candidates.
10. Use of calculators is not allowed.

1. \_\_\_\_\_ refers to doing the task correctly and with minimum cost.

(A) Effectiveness

(B) Coordination

(C) Process

(D) Efficiency

**Correct Answer:** (D) Efficiency

**Solution:** Efficiency refers to completing a task correctly while using the least amount of resources — such as time, money, materials, and effort. In the context of management, efficiency means getting work done with minimal input and wastage. It is a measure of how well inputs (resources) are converted into outputs (goods or services).

A manager is considered efficient when he/she is able to achieve the desired output with the minimum usage of inputs. For example, if a manager is able to produce 100 units of a product using 10 workers in 1 day and another manager produces the same output using 8 workers in the same time, the second manager is more efficient.

However, it is important to note that efficiency alone is not sufficient. It should be accompanied by effectiveness — which is achieving the desired goals. A manager might be efficient but if he is not achieving organizational objectives, his efficiency may not be meaningful.

**Final Answer:** (D) Efficiency

#### Quick Tip

Efficiency focuses on “doing things right” — achieving the desired output with minimum waste of resources, time, and effort. It is essential for cost control and resource optimization.

---

2. For taking the company out of losses, Ravi Kumar took over as the Managing Director of the struggling ‘Vova Watch Company’ in January 2020. As soon as he joined, he tried to find out the reason for the company not doing well. He found that the employees were not involved in decision-making and they had to just follow orders, resulting in low morale of employees.

Recognising the need for change, Ravi Kumar started on a journey to bring back the enthusiasm and motivation of the employees. He initiated open dialogues and encouraged them to actively participate in decision-making. Together, they developed action plans to address the company's challenges regarding outdated designs and inefficient production processes etc.

As time passed, 'Vova Watch Company' transformed from a struggling enterprise to a profit making enterprise. Identify the leadership style of Ravi Kumar:

- (A) Autocratic leadership style
- (B) Democratic leadership style
- (C) Free-rein leadership style
- (D) Both (A) and (B)

**Correct Answer:** (B) Democratic leadership style

**Solution:** The case study clearly highlights that Ravi Kumar followed the democratic leadership style. Under this leadership style, the leader involves employees in the decision-making process, encourages suggestions, promotes discussions, and ensures that everyone's opinion is heard and valued. This results in increased job satisfaction, high employee morale, better communication, and stronger team spirit.

Initially, the company faced losses due to poor employee involvement and a rigid authoritarian environment. Employees had to just follow orders, leading to demotivation. Ravi Kumar changed this by opening communication channels, holding participative meetings, and building trust within teams. He recognized that when employees are involved in making decisions, they feel valued and responsible, which boosts their commitment and productivity.

His leadership led to:

- Improvement in employee morale and enthusiasm.
- Better decision-making due to diverse inputs.
- Collaborative planning to overcome inefficiencies.
- Transformation of the company from loss-making to profit-making.

Hence, Ravi Kumar demonstrated characteristics of a democratic leader — one who takes decisions after consulting his team and ensures maximum participation of subordinates.

**Final Answer:** (B) Democratic leadership style

**Quick Tip**

A democratic leader builds trust, involves the team in planning, and boosts morale — ideal during transitions or when employee motivation is crucial for success.

---

3. 'SK Builders' became the market leader in the designer house segment as it was the first to recognize the need of using Artificial Intelligence in designing houses in the changing environment of technological advancement. This highlights the following point of importance of business environment:

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

**Correct Answer:** (B) It enables the firm to identify opportunities and getting the first mover advantage.

**Solution:** The given situation clearly reflects the importance of understanding and adapting to the changing business environment. 'SK Builders' identified the emergence of Artificial Intelligence as a major trend in the housing and construction industry. By recognizing this technological shift before others and by integrating AI into their architectural design processes, they became the first in the market to adopt this change.

This scenario showcases the benefit of having an early mover advantage — a strategic position where a company takes initiative and becomes a pioneer in using a new idea, process, or innovation. This can result in brand recognition, enhanced market share, and customer loyalty, as early movers often set industry benchmarks.

Business environment helps firms in scanning external changes such as technology, customer preferences, and competition. A firm that is sensitive and responsive to these changes can seize the emerging opportunities before its competitors.

Thus, the point of importance reflected here is: **“It enables the firm to identify opportunities and get the first mover advantage.”**

**Final Answer:** (B) It enables the firm to identify opportunities and getting the first mover advantage.

#### Quick Tip

Businesses that adapt early to external trends like technology or customer demand gain a strategic lead, also called "First Mover Advantage".

---

4. Which of the following is an element of 'Social Environment'?

- (A) Rates of saving and investment
- (B) Expectations from the workforce
- (C) The nature of relationship of our country with foreign countries
- (D) Planned outlay in public and private sectors

**Correct Answer:** (B) Expectations from the workforce

**Solution:** The business environment can be categorized into various components, one of which is the Social Environment. This component includes the customs, traditions, values, societal expectations, beliefs, and lifestyle patterns of people in a given society.

Option (B), "Expectations from the workforce," reflects a social factor because it deals with:

- Changing aspirations of employees regarding work-life balance, - Demand for better working conditions and benefits, - A shift toward more inclusive, ethical, and empathetic workplace cultures.

On the other hand: - Option (A) relates to economic environment, - Option (C) relates to political/legal environment (foreign relations), - Option (D) relates to economic planning and policy frameworks.

Hence, only Option (B) is aligned with the social environment.

**Final Answer:** (B) Expectations from the workforce

#### Quick Tip

Social environment includes societal trends and workforce expectations — always consider employee aspirations in strategy.

5. Statement I: A financial market facilitates the transfer of savings from savers to investors.  
Statement II: It gives savers the choice of different investments and helps to channelise surplus funds into the most productive use.

Choose the correct option from the following:

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

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

**Solution:** The financial market acts as an intermediary between savers (those who have surplus funds) and investors (those who require funds for productive use). It facilitates this process in the following ways:

1. Statement I – True: Financial markets serve as a platform for mobilizing idle savings from households or institutions and channeling them into productive ventures. It creates a link between those who save and those who invest.
2. Statement II – True: These markets offer a wide array of financial instruments such as stocks, bonds, mutual funds, etc., giving savers flexibility and options based on their risk tolerance. Additionally, financial markets assess and allocate funds to their most efficient and productive use through pricing mechanisms, credit rating systems, and investment analysis. Since both statements describe essential roles of financial markets, they are correct.

**Final Answer:** (C) Both the Statements are true.

#### Quick Tip

Financial markets not only connect savers and investors but also ensure funds flow into the most efficient sectors.

---

6. The marketing management philosophy which uses availability and affordability as a means to achieve the objectives is:

- (A) Marketing concept
- (B) Selling concept
- (C) Product concept

(D) Production concept

**Correct Answer:** (D) Production concept

**Solution:** The Production Concept is one of the earliest marketing management philosophies. It assumes that customers prefer products that are widely available and inexpensive. The focus here is not on the needs of the consumer but on producing goods in high volumes and at low cost.

This approach is particularly effective in situations where: - Demand exceeds supply, - Consumers are more interested in affordability than features, - Mass production technologies are available to lower costs.

Although relevant during the early stages of industrialization, this concept may ignore customer needs and preferences in the modern era.

Hence, when the objective is to make products available and affordable, the appropriate philosophy is the Production Concept.

**Final Answer:** (D) Production concept

#### Quick Tip

The production concept emphasizes quantity and cost efficiency — best for economies of scale but not for personalized needs.

---

7. Which of the following is not a component of 'Physical Distribution'?

(A) Inventory control

(B) Standardisation and grading

(C) Order processing

(D) Transportation

**Correct Answer:** (B) Standardisation and grading

**Solution:** Physical Distribution refers to the activities involved in moving the product from the producer to the consumer. It includes components such as:

- Order processing: Activities related to receiving, handling, and fulfilling customer orders. -

Inventory control: Maintaining optimal stock levels to meet customer demand without

overstocking. - Transportation: The physical movement of goods across locations.

Standardisation and grading, however, do not fall under physical distribution. These are concerned with product classification and quality assurance. They relate more to product design and manufacturing stages, not the logistical activities involved in distribution.

Therefore, (B) is not a part of physical distribution.

**Final Answer:** (B) Standardisation and grading

#### Quick Tip

Physical distribution covers logistics like transport, inventory, and order handling — not quality categorization like standardisation.

8. 'Best Electronics' is led by its visionary Chief Executive Officer, Nikhil. It has a reputation for good quality products and customer service. Nikhil recognised the need to continually innovate and provide customers with the latest products. He wanted the company to be the market leader in electronics.

Nikhil knew that to realise his ambitious vision, he needed a clear and well-defined plan that would provide broad contours of the company's business. His team conducted extensive market research to uncover emerging trends, customer preferences, and potential competitors. On its basis, a plan was prepared defining the company's direction and scope in the long run. On the implementation of the plan 'Best Electronics' became the market leader in two years. The type of plan which helped 'Best Electronics' to become the market leader was :

- (A) Policy
- (B) Rule
- (C) Strategy
- (D) Procedure

**Correct Answer:** (C) Strategy

**Solution:** Let us understand each option to differentiate clearly:

- Policy refers to a general guideline that sets boundaries within which decisions can be made. It is not specific or directional enough to drive a company toward a leadership position. - Rule is a rigid directive that allows no discretion in its application. Rules govern

day-to-day behavior (like "No smoking in office") and do not guide long-term vision. -

Procedure is a set sequence of steps to be followed for routine activities (e.g., process of handling returns). It deals with operations, not direction or vision. - Strategy, however, is a broad, long-term plan designed to achieve specific goals. It is based on detailed analysis, competitive positioning, and foresight.

In the case of 'Best Electronics', Nikhil and his team conducted market research, analyzed customer preferences, studied competitors, and then formulated a long-term directional plan that eventually made them a market leader in two years. This clearly classifies the plan as a strategy, since it involved setting long-term goals, aligning resources, and responding to external opportunities and threats.

Hence, the correct answer is:

**Final Answer:** (C) Strategy

#### Quick Tip

When a company prepares a comprehensive plan to achieve long-term objectives after analyzing external factors, it's called a strategy — not a policy, rule, or procedure.

---

9. Online retailer 'Bizen' has grown to be the biggest provider worldwide in the field of e-commerce. Its revenues are growing steadily year after year. It owes its success to the rapid rate of digitisation and its organisational structure. 'Bizen's Managing Director, Mohit makes strategic decisions and has control over the entire organisation. In 'Bizen', jobs of similar nature are grouped together into Human Resource Department, Marketing Department, Purchase Department and Research and Development Department. These departments are further divided into sections and all departmental heads report to Mohit who is the co-ordinating head. This ensures efficiency in the utilization of manpower and minimizes duplication of efforts. The type of organizational structure of 'Bizen' is :

- (A) Informal organisational structure
- (B) Divisional organisational structure
- (C) Functional organisational structure
- (D) Both (B) and (C)

**Correct Answer:** (C) Functional organisational structure

**Solution:** Organizational structure refers to how activities such as task allocation, coordination, and supervision are directed toward achieving organizational goals. Let's analyze each option in this context:

- (A) Informal organisational structure: This develops spontaneously due to social interaction among employees. It is not designed by the management and does not have formal reporting relationships. Bizen clearly has a formal structure — not informal.
- (B) Divisional organisational structure: This groups activities based on products, services, or geography. For instance, different product lines like electronics, clothing, and books might each have their own set of departments like HR, Marketing, etc. But in Bizen, the grouping is not by product but by function — like HR, Marketing, etc.
- (C) Functional organisational structure: This groups activities on the basis of functions performed. Jobs of similar nature are grouped into functional departments like HR, Marketing, Purchase, and RD. This is exactly what Bizen has done.
- (D) Both (B) and (C): Cannot be correct because the structure described is clearly and only functional, not a mix.

Additional clues: - The departments are clearly defined. - Heads of departments report to a single authority (Mohit). - Similar tasks are grouped together. - Efficiency and avoidance of duplication are key outcomes of a functional structure.

Thus, the structure of Bizen is best described as a functional organisational structure.

**Final Answer:** (C) Functional organisational structure

#### Quick Tip

If a company groups jobs based on common functions (HR, Marketing, etc.) and centralizes authority, it's following a functional structure — not divisional.

---

**10.** Plans are prepared for a specific period of time, may be for a month, a quarter or a year. At the end of that period, there is a need for a new plan to be drawn on the basis of new requirements and future conditions. The feature of planning reflected in the above lines is :

(A) Planning is futuristic

- (B) Planning is continuous
- (C) Planning is pervasive
- (D) Planning is a mental exercise

**Correct Answer:** (B) Planning is continuous

**Solution:** The feature of planning described in the question refers to the repetitive and ongoing nature of planning. Let's break it down:

- Planning is not a one-time activity. It is an ongoing process because after the implementation of a plan, feedback and results help in forming the next plan. - The passage mentions that once the plan's time frame ends (month/quarter/year), a new plan is drawn considering new future conditions — this indicates that planning never stops. - This aligns with the feature called “Planning is continuous” — which means that planning is a never-ending process. Managers need to make fresh plans regularly depending on the changing environment.

Let's examine the other options: - (A) Planning is futuristic: This means planning is forward-looking. While the passage does refer to future conditions, the main focus is on repeating planning periodically. - (C) Planning is pervasive: Means that planning is required at all levels of management and in all departments, which is not the point of the given passage. - (D) Planning is a mental exercise: Refers to it being an intellectual process — again, not relevant here.

So, the correct interpretation of the feature described is:

**Final Answer:** (B) Planning is continuous

#### Quick Tip

When plans are regularly made and remade due to new conditions, it shows that planning is continuous — a dynamic, never-ending managerial function.

---

**11. Statement I :** Delegation is the entrustment of responsibility and authority to another, and the creation of accountability for performance.

**Statement II :** Irrespective of the extent of delegated authority, the manager shall still be accountable to the same extent as before delegation.

Choose the correct option from the following :

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

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

**Solution:** Let's analyze the two statements carefully:

- Statement I is true: Delegation is the process where a manager assigns responsibility, grants authority, and still retains accountability. This is a three-step process: 1. Responsibility: Assigning a task to a subordinate. 2. Authority: Giving the subordinate the right to make decisions. 3. Accountability: Holding the subordinate accountable for results — but ultimate accountability still stays with the manager.

- Statement II is also true: Even after delegation, the manager remains accountable for the final outcome. For example, if a manager delegates stock checking to a subordinate and an error occurs, the top management holds the manager responsible, not just the subordinate.

This is a key principle in management: “Accountability cannot be delegated.”

Therefore, both statements correctly describe how delegation works in practice.

**Final Answer:** (C) Both the Statements are true.

#### Quick Tip

Even when tasks and authority are delegated, managers remain ultimately accountable — that's a key principle in delegation.

---

**12.** Identify the tool of promotion used by ‘Mehta Sons Garments’ to boost its sales :



- (A) Advertising
- (B) Personal selling
- (C) Sales promotion
- (D) Public relations

**Correct Answer:** (C) Sales promotion

**Solution:** In the image provided, Mehta Sons Garments is using a “HURRY UP — 50% OFF — ONLY FOR 2 days” tag. Let’s interpret this carefully.

- This is clearly a short-term incentive designed to boost sales quickly by offering customers a limited-time discount. - It uses the principle of urgency (“HURRY UP”) and savings (“50% OFF”) to motivate quick purchases. - Such tools are part of Sales Promotion, which includes: - Discounts - Coupons - Buy one get one offers - Free samples - Lucky draws  
Let’s analyze the other options: - (A) Advertising: This is mass media promotion (TV, radio, digital) with long-term brand objectives. But here, there is no mass media campaign, just a store-level short-term offer. - (B) Personal selling: Involves face-to-face interaction between salespeople and customers, which is not evident here. - (D) Public relations: Aimed at building brand image and goodwill through news, events, sponsorships — again, not applicable.

Hence, the correct tool used is:

**Final Answer:** (C) Sales promotion

### Quick Tip

Sales promotion includes limited-time discounts and offers to boost short-term sales — like “50

**13.** Beenu had a bookstore in Sabad called ‘Book-mark’. For years, the bookstore was doing reasonably well but with the rise of digital books and online retailers, her sales had declined. Beenu’s daughter, who had just completed her MBA with a specialisation in marketing decided to launch a marketing campaign to revive the bookstore. The campaign’s focus was on the joy of reading books in physical form, the joy of turning pages and the warm atmosphere of the bookstore. She organised story writing and other competitions every weekend. The information of these was given to the parents and children through television, radio, children’s magazines, etc. Attractive prizes were offered to the winners. This increased the footfall of the children and their parents and the bookstore soon became popular.

The tool of communication used by Beenu’s daughter to revive the bookstore was :

- (A) Advertising
- (B) Personal selling
- (C) Sales promotion
- (D) Public relations

**Correct Answer:** (D) Public relations

**Solution:** The key here is to identify what communication tool was used to build goodwill and a favorable image of the bookstore in the minds of the public.

Beenu’s daughter did not focus merely on paid media advertisements or short-term offers.

Instead, she built an emotional and community-driven experience by organizing story-writing competitions, offering prizes, and involving media like television and magazines to share information. These are all tools used under Public Relations (PR).

Public Relations is a broader concept than advertising. It focuses on maintaining good relationships with stakeholders and creating a positive image. It involves unpaid media (like news stories, radio talks), event sponsorships, and community initiatives — all of which were part of her campaign.

Therefore, the tool used was Public Relations.

**Final Answer:** (D) Public relations

**Quick Tip**

Public Relations aims to create a favorable image in the public's mind through non-paid, trust-building activities.

---

**14.** Choose the *incorrect* statement from the following about functions of a Stock Exchange :

- (A) Provides liquidity and marketability to new securities
- (B) Ensures safety of transactions
- (C) Contributes to economic growth
- (D) Provides scope for speculation

**Correct Answer:** (A) Provides liquidity and marketability to new securities

**Solution:** Let's examine each statement.

(A) **Incorrect** – This is the correct answer because new securities are issued in the Primary Market, not the Stock Exchange (which is a Secondary Market). Stock exchanges provide liquidity and marketability to existing securities that are already listed and traded.

(B) **Correct** – Stock exchanges are regulated by SEBI and ensure transparency, reducing fraud, which ensures safety.

(C) **Correct** – A vibrant stock exchange helps mobilize capital and channel it into productive sectors, thereby aiding economic growth.

(D) **Correct** – While speculation exists and sometimes poses risks, stock exchanges do provide a platform for speculation.

Thus, the incorrect statement is (A).

**Final Answer:** (A) Provides liquidity and marketability to new securities

**Quick Tip**

Primary markets deal with new securities; stock exchanges trade existing ones, providing liquidity and transparency.

---

**15.** 'Dovex' was a large company with a renowned name in healthcare industry, specialising

in the development and production of life saving medications and medical devices. With a strong reputation for ethical practices, 'Dovex' attracted a large number of investors who had great faith in the company's future. This allowed 'Dovex' to raise capital easily from the market whenever expansion or new projects were to be undertaken. As a result, it could pay high dividends to the shareholders.

The factor affecting dividend decision discussed above, which allowed 'Dovex' to pay high dividends to the shareholders is :

- (A) Cash flow position
- (B) Stock market reaction
- (C) Legal constraints
- (D) Access to capital market

**Correct Answer:** (D) Access to capital market

**Solution:** The ability of a firm to easily raise funds from the capital market plays a crucial role in its dividend decisions.

Here, Dovex had a strong reputation, attracted many investors, and could raise capital easily for expansion. Since they didn't need to retain large portions of their profits for reinvestment, they had the freedom to pay high dividends to shareholders.

This situation reflects the "access to capital market" factor — when firms can access external finance easily, they can afford to distribute more profits as dividends.

Hence, this is the correct factor influencing dividend decisions.

**Final Answer:** (D) Access to capital market

#### Quick Tip

Easy access to capital markets reduces the need for internal financing, enabling companies to pay more dividends.

---

**16.** In the \_\_\_\_\_ market, prices are determined and decided by the management of the company.

- (A) Primary
- (B) Secondary

(C) Money

(D) Stock

**Correct Answer:** (A) Primary

**Solution:** The primary market is where new securities are issued for the first time by companies to raise capital. In this market, the issuing company (through management) decides the price of the securities, either by fixed pricing or book building methods.

In contrast, in the secondary market, prices are determined by demand and supply forces among investors.

Thus, in the context of the question, prices decided by management refer to the primary market.

**Final Answer:** (A) Primary

### Quick Tip

In the primary market, companies issue new securities and set prices; in the secondary market, prices fluctuate via investor trading.

## 17. Match the terms given in Column I with their meanings in Column II:

Column I	Column II
1. Placement	(i) Introducing the selected employee to other employees and familiarising him with the rules and policies of the organisation
2. Recruitment	(ii) It refers to the employee occupying the position or post for which he/she has been selected
3. Orientation	(iii) Evaluating an employee's current and/or past performance as against certain predetermined standards
4. Performance Appraisal	(iv) The process of searching for prospective employees and stimulating them to apply for jobs in the organization

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

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

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

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

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

**Solution:**

**Step 1: Matching terms.**

- Placement → employee occupying selected position (ii)

- Recruitment → process of searching for prospective employees (iv)
- Orientation → introducing employee to others and rules (i)
- Performance Appraisal → evaluating performance against standards (iii)

**Step 2: Apply logically.**

Each definition fits precisely with the correct HR term.

**Quick Tip**

Placement = actual joining, Recruitment = sourcing, Orientation = introduction, Appraisal = evaluation.

**18.** Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from the options given below :

**Assertion (A) :** Many enlightened business firms have set up their own consumer service and grievance cells.

**Reason (R) :** The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or service.

(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)

**Solution:** Assertion (A) is a true statement. Many enlightened firms have proactively set up consumer service and grievance cells to enhance customer satisfaction, handle complaints, and build trust with consumers. This is an ethical business practice that also aligns with corporate social responsibility.

Reason (R) is also true. One of the fundamental rights of a consumer under the Consumer Protection Act is the Right to be Heard, which includes the right to file complaints and have them addressed.

Now, the crucial part is whether Reason (R) explains Assertion (A). The reason explains why enlightened business firms set up grievance cells—because they recognize the consumer’s legal and ethical rights to complain and be heard. Hence, Reason (R) logically explains Assertion (A).

**Final Answer:** (A)

#### Quick Tip

Assertion-Reason questions test logical linkage; if both are true and R explains A, the correct answer is (A).

---

**19.** “It is a career-oriented process designed to help the employees in the progress towards maturity and actualization of their potential capabilities.” Identify the process:

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

**Correct Answer:** (C) Development

**Solution:** The process described in the question is one that focuses on the long-term growth and maturity of employees. The key phrases in the statement—\*career-oriented\*, \*maturity\*, and \*actualization of potential\*—point towards a process that goes beyond immediate skill training or recruitment.

Let’s break down the options:

- Staffing involves identifying and fulfilling the human resource needs of an organization. It includes recruitment, selection, and placement. - Selection is a short-term decision-making process of choosing the most suitable candidate. - Training is typically focused on short-term skill enhancement related to a specific job or role. - Development, on the other hand, is a long-term educational process that focuses on the overall growth of employees and prepares them for future roles by enhancing capabilities and realizing their potential.

Thus, the correct answer is (C) Development.

**Final Answer:** (C) Development

### Quick Tip

Development is a future-oriented process focused on career growth and capability enhancement of employees.

---

**20.** The process of estimating fund requirements of a business and specifying the sources of funds is called:

- (A) Capital structure
- (B) Financial planning
- (C) Financial management
- (D) Capital budgeting

**Correct Answer:** (B) Financial planning

**Solution:** Financial planning involves estimating the amount of funds required for the operation of a business and deciding the sources from which these funds can be raised.

Key objectives of financial planning include: - Ensuring availability of funds at the right time. - Avoiding unnecessary surplus or shortage of funds. - Determining the best use of the funds.

It also includes planning for investment in assets, working capital needs, and long-term financial goals.

- Capital structure is the composition of debt and equity. - Financial management is a broader term, covering planning, organizing, and controlling finances. - Capital budgeting is related to evaluating investment options.

**Final Answer:** (B) Financial planning

### Quick Tip

Financial planning = Forecasting fund needs and arranging sources in advance.

---

**21.** (a) State any three protective functions of Securities and Exchange Board of India.

**OR**

(b) Differentiate between 'Money Market' and 'Capital Market' on any three bases.

**Correct Answer:** (Either (a) or (b) acceptable)

**Solution (a):** Three protective functions of SEBI are: 1. **Prohibition of fraudulent practices:** SEBI ensures that companies do not mislead investors by publishing false information. 2. **Investor education:** SEBI educates investors to help them make informed decisions. 3. **Investor grievance redressal:** SEBI provides a platform for investors to raise complaints against malpractices.

**Solution (b): Difference between Money Market and Capital Market:**

Basis	Money Market	Capital Market
Nature of Market	Short-term funds (less than 1 year)	Long-term funds (more than 1 year)
Instruments	Treasury bills, commercial papers	Shares, debentures, bonds
Participants	Banks, RBI, financial institutions	Companies, individuals, mutual funds

**Final Answer:** Either (a) or (b) based on student's choice

#### Quick Tip

SEBI protects investors; Money Market = short-term, Capital Market = long-term.

**22.** A renowned car company named 'BB Motors' was known for producing high-performance cars. They ensured their employees had the skills and knowledge to build innovative vehicles by transforming part of their factory into a 'Learning Floor'—an environment that replicated actual working conditions with real tools and equipment. Identify and explain the method of training used by 'BB Motors' to ensure that its employees had the skills and knowledge to build innovative high-performance cars.

**Correct Answer:** Vestibule Training

**Solution:** The training method used by 'BB Motors' is called Vestibule Training.

- Vestibule training is conducted in a simulated environment that mirrors the actual workplace. - It is generally conducted outside the main production area but with equipment, tools, and procedures that are identical to the real working environment. - This allows employees to learn and practice in a safe, controlled space before they are assigned real job

responsibilities.

In the case of BB Motors: - The 'Learning Floor' was specially designed and equipped to mimic the company's actual factory. - Employees were trained on real car components and machines without affecting ongoing production. - This method ensured that employees gained hands-on experience, reduced the risk of costly mistakes on the job, and improved both confidence and efficiency.

Vestibule training is especially useful in industries like manufacturing and engineering, where technical accuracy and familiarity with machines are essential.

**Final Answer:** Vestibule Training

#### Quick Tip

Vestibule Training = Simulated real-work setup → Safe hands-on learning before real job assignment.

---

**23.** Kanav, after passing out of college with specialization in renewable energy, was determined to start a solar power plant. The venture required heavy investment in plant and machinery and less on manual labour. Kanav invested in the latest solar panel technology and infrastructure and purchased the latest solar panels, inverters and battery storage systems. Despite the high risk and substantial investment, Kanav's business had good expansion possibilities. The world was increasingly moving towards clean energy solutions, and there was a growing demand for sustainable power sources. So, Kanav decided to create a higher capacity to meet the anticipated demand quickly. This entailed further investment in fixed assets which Kanav was able to arrange. As the years passed, the solar power plant did very well and played a pivotal role in the city's transition towards a greener and more sustainable future. Identify and explain the two factors affecting the fixed capital requirements discussed in the above case.

**Correct Answer:** (i) Nature of Business and (ii) Scale of Operations

**Solution:** Two key factors affecting fixed capital requirements in this case are:

**(i) Nature of Business:** - The type of business directly influences fixed capital needs. - Businesses that are manufacturing- or infrastructure-oriented, like Kanav's solar power plant,

require heavy investment in plant, equipment, and technology. - In contrast, trading or service businesses usually need lesser fixed capital.

**In Kanav's case:** Being in the renewable energy sector, large fixed assets like solar panels, battery storage, inverters, and machinery were essential, hence high fixed capital was required.

**(ii) Scale of Operations:** - The larger the size of operations, the greater the requirement for fixed capital. - Bigger firms must invest more in equipment, land, buildings, and technology to meet higher production demands.

**In the case:** Due to increasing demand for clean energy and expansion goals, Kanav increased his plant capacity, leading to a greater investment in fixed assets.

Thus, the nature and scale of his business significantly influenced his fixed capital needs.

**Final Answer:** (i) Nature of Business and (ii) Scale of Operations

#### Quick Tip

Manufacturing firms with large-scale operations need more fixed capital due to high investment in assets.

---

24. (a) State any three features of business environment.

**OR**

(b) State any three features of 'Demonetization'.

**Correct Answer:** Both (a) and (b) are attempted below as per instructions.

**Solution:**

**(a) Three Features of Business Environment:**

1. **Totality of External Forces:** Business environment includes all external forces such as economic, social, political, technological, and legal factors. These factors affect a business's performance but are outside its control. For instance, a change in government policy or a new technology can directly influence how a business operates.

2. **Dynamic Nature:** The environment is constantly changing. What is relevant today may become irrelevant tomorrow. For example, consumer preferences, technology, and market competition keep evolving, requiring businesses to continuously adapt and innovate.

3. **Inter-relatedness:** Different elements of the business environment are closely interlinked.

For instance, a change in economic policy (economic environment) can affect the level of income (social environment), which in turn affects consumer buying behavior.

**(b) Three Features of Demonetization:**

1. **Sudden and Immediate Implementation:** The government of India on 8th November 2016 announced demonetization of 500 and 1000 currency notes. The decision was implemented immediately, which created an abrupt need to exchange or deposit old notes, affecting all economic activities.

2. **Aimed at Multiple Objectives:** Demonetization targeted the reduction of black money, control over counterfeit currency, and promotion of digital transactions. It was seen as a major financial reform step aimed at formalizing the economy and reducing corruption.

3. **Wide Impact on the Economy:** The demonetization move affected various sectors such as retail, real estate, agriculture, and unorganized businesses. There was a temporary liquidity crunch that impacted daily wage earners and small vendors, though long-term benefits were anticipated in terms of higher tax compliance and digital transformation.

**Final Answer:** Both parts have been attempted with detailed explanation.

**Quick Tip**

Business environment is dynamic and includes all external forces affecting business decisions, while demonetization was a government policy step with immediate, wide-reaching economic impacts.

---

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

utilizing the human resources optimally which had led to high labour cost.

**(i) Identify the function of management discussed above.**

**Correct Answer:** Staffing

**Solution:** The function of management highlighted in the case is Staffing. Staffing refers to the process of putting the right person in the right job. It includes workforce planning, recruitment, selection, placement, training, development, remuneration, and performance appraisal.

In the given case, Abhay identified overmanning, i.e., the presence of more employees than needed. This indicates that the organization had failed to properly evaluate how many workers were actually required, pointing towards inefficiency in staffing. Due to incorrect estimation of manpower requirement, labour costs increased unnecessarily, which impacted the overall profitability.

Hence, the correct function involved here is Staffing, which ensures optimal use of human resources in alignment with the organizational goals.

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

1. **Efficient Performance of Other Functions:** Staffing helps in efficient performance of all other functions of management by ensuring that the right number and type of people are available at the right time.
2. **Optimal Utilization of Human Resources:** Through proper staffing, an organization avoids problems like overmanning or understaffing, thus utilizing the workforce efficiently and economically.
3. **Improves Productivity and Profitability:** The right staffing improves morale and motivation among employees, resulting in enhanced productivity and better quality of output, which leads to increased profitability.

**Final Answer:** (i) Staffing

(ii) Efficient Performance of Other Functions, Optimal Utilization of Human Resources, Improves Productivity and Profitability

### Quick Tip

Staffing is not just about hiring people — it's about forecasting manpower needs and aligning them with organizational goals to avoid wastage and inefficiency.

---

26. (a) State any four points that highlight the importance of management.

**OR**

(b) State any four functions of 'Operational Level Management'.

**Correct Answer:** (a) Importance of management

**Solution:** Four points that highlight the importance of management are:

1. **Achievement of Group Goals:** Management brings the human and material resources together and motivates the people for the achievement of the goals of the organization.
2. **Increases Efficiency:** Management increases efficiency through proper planning, organizing, staffing, directing, and controlling.
3. **Creates Dynamic Organization:** Management helps in adapting to the changing environment through innovation and flexibility.
4. **Helps in Achieving Personal Objectives:** Effective management helps individuals to achieve their personal goals while working towards organizational objectives.

**Final Answer:** (a) Achievement of Group Goals, Increases Efficiency, Creates Dynamic Organization, Helps in Achieving Personal Objectives

### Quick Tip

The role of management is essential in every organization as it bridges the gap between planning and execution by aligning resources effectively.

---

27. Differentiate between formal organization and informal organization on any four bases.

**Correct Answer:** Difference between Formal and Informal Organization

**Solution:**

<b>Basis</b>	<b>Formal Organization</b>	<b>Informal Organization</b>
Formation	Deliberately created by top management	Arises spontaneously due to social interaction
Purpose	To achieve organizational goals	To fulfill social and psychological needs
Structure	Well-defined and based on rules	Undefined and based on personal relationships
Authority	Flows according to official hierarchy	Arises out of mutual consent

**Final Answer:** Formation, Purpose, Structure, Authority

#### Quick Tip

A formal organization focuses on roles and responsibilities, while an informal organization emphasizes human relationships and communication.

**28.** (a) Explain how the following factors affect the working capital requirement of a business: (i) Seasonal factors

(ii) Inflation

**OR**

(b) Explain how the following factors affect the choice of capital structure of a company: (i) Flootation costs

(ii) Stock market conditions

**Correct Answer:** (a) Seasonal factors and Inflation

**Solution:**

(i) **Seasonal Factors:** Businesses that are seasonal in nature (e.g., ACs, woolen clothes) require higher working capital during peak seasons to maintain adequate stock and meet customer demands. During off-season, their working capital requirement reduces.

(ii) **Inflation:** Rising inflation increases the prices of raw materials, wages, and other expenses, leading to a higher working capital requirement to maintain the same level of operations.

**Final Answer:** (i) Seasonal factors – increase working capital in peak seasons  
(ii) Inflation – increases overall working capital requirement

#### Quick Tip

Always consider the nature of business and economic environment while estimating working capital to ensure smooth business operations.

---

**29.** Anuj, after a lot of research, paid ‘SS Developers’ an advance of 2 crore to build a lavish house for him. They promised to deliver the property within 18 months. At the end of 18 months, Anuj asked for the delivery of the property many times but the developer did not respond. Anuj realized that ‘SS Developers’ was not in a position to hand over the property to him. Anuj asked for a refund of the money with interest, which ‘SS Developers’ refused. Anuj approached the consumer court with his complaint.

**(i) Which grievance redressal agency had Anuj approached?**

**Correct Answer:** State Consumer Disputes Redressal Commission

**Solution:** Since the value of the claim is 2 crore, Anuj has approached the **State Consumer Disputes Redressal Commission**, which deals with complaints where the value is more than 50 lakh but less than 2 crore.

**(ii) State any three reliefs Anuj is likely to get, if the consumer court is satisfied with the complaint.**

1. **Refund of the Amount Paid:** The developer can be ordered to refund the 2 crore.
2. **Interest on the Amount:** Anuj can be granted interest on the amount paid due to delay.
3. **Compensation for Mental Agony:** The court may grant additional compensation for mental harassment and litigation cost.

**Final Answer:** (i) State Consumer Disputes Redressal Commission

(ii) Refund, Interest, Compensation for Mental Agony

### Quick Tip

Consumers can seek justice through appropriate redressal forums depending on the value of goods or services involved in the dispute.

---

**30.** 'Verfab' was a garment manufacturing company known for its high quality fashionable clothing. They had been in the fashionable clothing business for the last 23 years. The company was earning enough profit and the demand for their fashionable clothing was rising tremendously. The company was expanding and needed to hire new talent to meet the growing demand. They followed a comprehensive process to ensure that they brought in the best candidates. Explain the steps of the comprehensive process discussed above till the verification stage, to ensure that the company brought in the best candidates to meet the growing demand for fashionable clothing.

**Correct Answer:** The steps in the staffing process till the verification stage are as follows:

**Solution:** 1. Preliminary Screening – Initial evaluation of applications was done to check qualifications, experience, and suitability. 21 candidates were shortlisted.

2. Testing – Shortlisted candidates took various tests to assess skills, intelligence, and personality.

3. Interview – 15 candidates were invited for formal interviews with senior staff.

4. Selection – Based on the tests and interviews, 10 candidates were found suitable.

5. Verification – Previous employment details of these 10 were verified by contacting past employers.

**Final Answer:** Steps till verification: Screening, Testing, Interview, Selection, Verification.

### Quick Tip

Staffing ensures the right people are hired at the right time, enhancing organizational effectiveness.

---

**31.** (a) Explain the following characteristics of principles of management: (i) Universal applicability

(ii) Flexible

- (iii) Cause and effect relationship
- (b) Explain the following principles of management:
  - (i) Initiative
  - (ii) Order
  - (iii) Stability of personnel

**Correct Answer:** Both (a) Characteristics and (b) Principles of management are explained below.

**Solution:**

(a) Characteristics of principles of management:

- (i) **Universal applicability** – Principles of management are applicable to all types of organizations – business or non-business, small or large, and at all levels of management. They provide guidelines for managerial decision-making and actions.
- (ii) **Flexible** – Management principles are not rigid; they can be modified by managers to suit the requirements of a particular situation.
- (iii) **Cause and effect relationship** – Principles of management establish relationship between cause (input) and effect (output). For example, fair remuneration to employees (cause) leads to satisfied workforce (effect).

(b) Principles of management:

- (i) **Initiative** – This principle encourages employees to take initiative within the prescribed limits of authority. It helps develop a sense of belongingness and increases employee motivation.
- (ii) **Order** – This principle emphasizes that there should be a proper place for everything and everyone in the organization. Material and people should be at the right place at the right time.
- (iii) **Stability of personnel** – High employee turnover is costly and disruptive. Stability of tenure builds loyalty, experience, and efficiency among workers, thus improving organizational performance.

**Final Answer:** Characteristics: Universal applicability, Flexibility, Cause-effect; Principles: Initiative, Order, Stability of personnel.

### Quick Tip

Principles of management serve as guidelines and not strict rules; their flexible nature allows adaptation in dynamic scenarios.

**32.** Atul Sharma was the Chief Executive Officer of a footwear company, 'Stepone Footwear'. The company manufactured innovative and comfortable footwear for all age groups. Atul Sharma was known for meticulous planning. He ensured that the goals and objectives of the company are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. Before each season, 'Stepone Footwear' carefully analysed market trends, customer preferences and production schedules. This analysis enabled the company to look ahead and anticipate changes and develop managerial responses, wherever necessary. As a result, they were able to consistently deliver innovative and comfortable shoes to the market. During one season, there was a sudden surge in demand for eco-friendly shoes. 'Stepone Footwear' had already planned their production for the year with specific goals to be achieved within a specific time frame. The managers of 'Stepone Footwear' did not have the flexibility to change the plan to cope with the changed circumstances. Another shoe company 'Eco Step' quickly adapted and started manufacturing comfortable eco-friendly shoes. By not being able to adjust to the rapidly changing market, 'Stepone Footwear' faced inventory surplus while 'Eco Step' emerged as a market leader in sustainable eco-friendly footwear.

Quoting lines from the given paragraph, identify and explain two benefits and two limitations of 'Planning' function of management discussed in the above case.

**Correct Answer:** Two benefits: (1) Planning provides direction (2) Planning reduces risk of uncertainty  
Two limitations: (1) Planning reduces flexibility (2) Planning may not work in dynamic environment

**Solution:**

**Benefits:**

**Provides direction:** "He ensured that the goals and objectives of the company are clearly stated so that they act as a guide for deciding what action should be taken and in which direction." *Explanation:* Clearly defined goals ensure that all departments work in the same

direction.

**Reduces the risk of uncertainty:** “This analysis enabled the company to look ahead and anticipate changes and develop managerial responses.” *Explanation:* Through planning, managers assess future uncertainties and devise ways to mitigate risks.

**Limitations:**

**Reduces flexibility:** “The managers of ‘Stepone Footwear’ did not have the flexibility to change the plan to cope with the changed circumstances.” *Explanation:* Once plans are set, it becomes difficult to change them, even if situations demand.

**May not work in dynamic environment:** “By not being able to adjust to the rapidly changing market, ‘Stepone Footwear’ faced inventory surplus.” *Explanation:* In fast-changing market conditions, a rigid plan may become obsolete.

**Final Answer:** Direction and risk reduction are benefits, while lack of flexibility and rigidity are limitations of planning.

#### Quick Tip

Planning is a forward-looking function but must be complemented by adaptability in a changing environment.

---

**33.** Ayush and Rhea were passionate about sustainable agriculture and healthy living. They wanted to start a business selling organic produce. They had a small farm in a rural area where they began growing fresh organic produce and herbs. In the beginning, they faced challenges in marketing their organic products. They realized that their high quality produce needed better presentation and a strong identity to stand out in a competitive market. They named the business ‘Earthy Store’ which indicated the products’ benefits and qualities and reflected the values of the business — sustainability and health. They chose a ‘logo’ that incorporated elements of nature and used earthy colours to convey their organic commitment. They designed and developed eco-friendly biodegradable bags and reusable containers to courier their products to the customers. They also added personal touch by including handwritten notes in each bag. They also designed and developed product stickers with detailed information about organic certification, nutritional benefits, date of

manufacture, date of expiry, etc. The stickers so developed were put on the bags and reusable containers for customers convenience. 'Earthy Store' created a user-friendly website and established strong media presence to inform potential customers about their products and persuading them to buy the same. Within a couple of months, they had built a loyal customer base which made them earn profits even in a competitive environment. In a year, they were able to secure contracts with local grocery stores and restaurants.

Quoting lines from the above paragraph, identify and explain the three functions of marketing discussed in the above case.

**Correct Answer:** Three functions: (1) Branding, (2) Labelling, (3) Promotion

**Solution:**

**Branding:** "They named the business 'Earthy Store' which indicated the products' benefits and qualities and reflected the values of the business." *Explanation:* Branding involves giving a distinct name and identity to the product to create differentiation and recognition.

**Labelling:** "They also designed and developed product stickers with detailed information about organic certification, nutritional benefits, date of manufacture, date of expiry, etc."

*Explanation:* Labelling provides vital information to consumers and helps them make informed choices.

**Promotion:** "'Earthy Store' created a user-friendly website and established strong media presence to inform potential customers..." *Explanation:* Promotion involves creating awareness and persuading consumers to buy the product.

**Final Answer:** Branding, labelling, and promotion are the key marketing functions highlighted in the case.

#### Quick Tip

Effective marketing not only informs but also builds identity, trust, and consumer connection with the product.

---

**34.** (a) Explain any two organizational barriers and two psychological barriers to communication. **OR** (b) Explain any three merits and three demerits of external sources of recruitment.

**Correct Answer:** Both (a) and (b) are acceptable. Attempting both as per instruction.

**Solution:**

(a) **Communication Barriers: Organizational Barriers:**

**Organizational Policy:** Restrictive communication policies can hinder free exchange of ideas.

**Status:** Subordinates may feel hesitant to communicate freely with superiors due to status differences.

**Psychological Barriers:**

**Premature Evaluation:** Listeners forming judgments before fully listening can distort communication.

**Lack of Attention:** Disinterest or distractions can prevent the message from being properly understood.

(b) **External Recruitment Merits and Demerits: Merits:**

**Wider choice:** A large pool of candidates increases the chances of finding the right talent.

**Fresh talent:** New people bring new ideas and energy into the organization.

**Healthy competition:** Existing employees are motivated to perform better.

**Demerits:**

**Costly process:** Advertising and selection procedures add to the expense.

**Time-consuming:** Recruitment from outside takes more time.

**Adjustment issues:** New recruits may take time to understand the organizational culture.

**Final Answer:** Explained organizational and psychological barriers, and listed merits/demerits of external recruitment.

#### Quick Tip

Communication and recruitment both play a vital role in enhancing organizational effectiveness and employee engagement.