

CBSE Business Studies Question Paper With Solutions

SET 2 - 66/3/2

Time Allowed :3 Hours	Maximum Marks :80	Total questions :34
------------------------------	--------------------------	----------------------------

General Instructions

Read the following instructions very carefully and strictly follow them:

1. There are total 34 questions in this paper.
2. Answers to questions carrying 3 marks may be from 50 to 75 words.
3. Answers to questions carrying 4 marks may be in about 150 words.
4. Answers to questions carrying 6 marks may be in about 200 words.
5. Attempt all parts of a question together.
6. Questions no. 1 to 20 are Multiple Choice Questions (MCQs), carrying 1 mark each.

1. Niyati is working as a teacher in a school in Mansarovar Garden. She always tells the children at the school not to pollute the environment, and not to throw wrappers of chips and chocolates here and there. She always carries a bag with her to collect the wrappers and put them in the dustbin.

By doing this, which responsibility of a consumer is she discharging:

- (A) Reading labels carefully
- (B) Asserting to get a fair deal
- (C) Respecting the environment
- (D) Being honest in the dealings

Correct Answer:

- (C) Respecting the environment

Solution:

Consumers have not only rights but also responsibilities that contribute to a better

marketplace and a healthier society. One of these important responsibilities is **”Respecting the environment”**. This refers to the duty of every consumer to act in a way that preserves and protects the environment through responsible consumption, waste disposal, and sustainable practices.

In the given case, Niyati, as a responsible teacher and consumer, educates children about not littering and polluting their surroundings. Moreover, she leads by example — she carries a bag specifically to collect waste like chocolate and chips wrappers, and ensures that they are disposed of properly in a dustbin. This practice directly supports environmental protection and awareness.

Her actions reflect an environmentally conscious lifestyle and civic sense, which is central to the consumer responsibility of environmental respect. She is not just passively avoiding pollution herself, but also actively influencing others to do the same — multiplying the positive environmental impact.

Why the other options are incorrect:

- (A) Reading labels carefully:** This refers to examining product details like ingredients, manufacture/expiry dates, safety instructions, etc., which is not the focus here.
- (B) Asserting to get a fair deal:** Involves ensuring fair pricing and quality of goods/services from sellers, which is unrelated to the case.
- (D) Being honest in the dealings:** Means that a consumer must not resort to fraud or unfair practices while buying or returning goods.

Final Answer: (C) Respecting the environment

Quick Tip

Respecting the environment includes avoiding waste, promoting recycling, and discouraging harmful practices. It also means educating others and setting an example through sustainable behavior.

2. Assertion (A): When the allocative function is performed well, scarce resources are allocated to those firms which have the highest productivity for the economy.

Reason (R): Allocative function allocates or directs funds into their most productive

investment opportunity.

Choose the correct alternative from the options given below:

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

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

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

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

Correct Answer:

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

Solution:

Financial management involves three core functions — investment, financing, and dividend decisions. Among these, the **allocative function** is a key aspect of the investment decision. It is about making optimal use of scarce resources by investing them into projects or firms where they yield the highest return and productivity.

Assertion (A) is absolutely correct because when resources (like money or capital) are properly allocated in the economy, they move to businesses that are more efficient and productive. This enhances the overall economic output and helps in better growth and utilization of national resources.

Reason (R) is also true and complements the assertion. It explains the mechanism — that the allocative function ensures that funds or resources are invested in the most productive opportunities, which leads to optimal outcomes.

Since Reason (R) provides a cause-effect explanation to Assertion (A), and both are accurate and logically connected, the correct answer is (A).

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

Quick Tip

The allocative function ensures that limited financial resources are invested in areas that offer the best returns, leading to overall economic efficiency.

3. 'Mudro Infratech' got a short-term contract for building two villas within a period of ten months with the expectation to earn a huge amount of profit. The Works Manager accepted this challenge and completed the work within the given time period. The profit of the company went up by 40% due to this temporary order. The Finance Manager was aware that the company would not earn this huge profit in the near future. So, he decided not to increase dividend per share as earnings for the year had gone up, but not the earning potential of the company. He also knew that this increase in earnings was temporary in nature.

The factor affecting Dividend Decision being highlighted above is:

- (A) Cash flow position
- (B) Shareholders' preference
- (C) Growth opportunities
- (D) Stability of dividends

Correct Answer:

- (D) Stability of dividends

Solution:

Dividend decision involves determining how much of the company's earnings should be distributed to shareholders and how much should be retained. One crucial factor influencing this decision is the concept of **stability of dividends**.

In this case, although 'Mudro Infratech' experienced a sudden spike in profit due to a one-time short-term contract, the Finance Manager rightly recognized that this profit was **not sustainable or recurring**. Increasing the dividend based on temporary gains would set an unrealistic expectation for shareholders. If the company failed to maintain similar profits in future years, it would be forced to reduce dividends, which could harm shareholder trust and affect the market perception of the company.

Hence, the manager chose to maintain stable dividends rather than increase them in response to a temporary spike. This prudent approach aligns with the principle of stability in dividend policy — **ensuring consistent and predictable returns to shareholders over time**.

Why the other options are incorrect:

- (A) **Cash flow position:** The company had profits, so cash flow was not an issue

here. **(B) Shareholders' preference:** There is no mention of what the shareholders wanted. **(C) Growth opportunities:** The company is not focusing on reinvestment or expansion here.

Final Answer: (D) Stability of dividends

Quick Tip

Companies often prefer stable dividends to maintain investor confidence and avoid fluctuations due to short-term profits or losses.

4. Statement I: Leadership indicates the ability of an individual which influences the behaviour of others.

Statement II: Leadership is exercised to achieve personal goals of the leader.

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:

- (A) Statement I is true and Statement II is false.

Solution:

Leadership refers to the ability of an individual to influence, motivate, and enable others to contribute toward the success of an organization or team. **Statement I is true** because leadership indeed involves influencing the behavior and attitudes of individuals in a positive and purposeful way.

Statement II is false because true leadership is not aimed at achieving personal goals. While leaders may benefit personally, genuine leadership is exercised to achieve collective or organizational goals. Effective leaders prioritize the needs and goals of the group or organization over their own.

Hence, only Statement I is true, making option (A) the correct answer.

Final Answer: (A) Statement I is true and Statement II is false.

Quick Tip

Leadership is about influencing others towards a common vision or goal, not about fulfilling personal ambitions.

5. _____ is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill, and give workers more autonomy and providing them opportunity for personal growth and a meaningful work experience.

- (A) Job security
- (B) Perquisites
- (C) Employee recognition programme
- (D) Job enrichment

Correct Answer:

- (D) Job enrichment

Solution:

Job enrichment is a method of motivating employees by providing them with more meaningful work and responsibilities. It involves redesigning jobs to include a higher level of responsibility, autonomy, and personal growth opportunities.

In the question, the characteristics described — more variety, autonomy, skill usage, and opportunity for meaningful work — align precisely with the concept of job enrichment. It goes beyond simple task completion and allows employees to grow intellectually and emotionally within their role.

Why the other options are incorrect:

- (A) Job security:** Refers to the assurance of continued employment.
- (B) Perquisites:** Extra benefits provided to employees (e.g., car, house, etc.).
- (C) Employee recognition programme:** A system to reward and recognize employee performance.

Final Answer: (D) Job enrichment

Quick Tip

Job enrichment motivates employees by adding responsibility, control, and purpose to their roles, enhancing job satisfaction.

6. Statement I: The objective of financial management is to maximize shareholders' wealth.

Statement II: The shareholders gain if the value of shares in the market increases.

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 core objective of financial management is **wealth maximization**, which implies maximizing the market value of the company's shares. This ensures that the shareholders' wealth increases over time.

Statement I is true because financial management focuses on decisions that increase the firm's value, such as sound investment and financing decisions.

Statement II is also true as the value of shares in the market directly impacts shareholders.

If a company performs well and investors gain confidence, share prices rise, thereby increasing shareholder wealth.

Since both statements are correct and align with the principles of financial management, the correct answer is (C).

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

Quick Tip

Maximizing shareholder wealth is the main goal of financial management, achieved through increasing the market value of shares.

7. 'Panmol Dairy' started using environment-friendly 'Bilona' method of making ghee, unlike other dairies which were using modern methods involving machines and chemicals. By doing this, 'Panmol Dairy' is providing employment to hundreds of illiterate people in the rural areas.

Which objective of management is 'Panmol Dairy' trying to achieve:

- (A) National objective
- (B) Personal objective
- (C) Social objective
- (D) Economic objective

Correct Answer:

- (C) Social objective

Solution:

The **social objective** of management refers to the responsibility of a business towards the betterment of society. It includes actions that aim to create employment, protect the environment, improve the quality of life, and ensure fairness in dealings.

In this case, Panmol Dairy is:

- Using eco-friendly traditional methods (protecting environment).
- Generating employment for unskilled rural people (reducing unemployment).

These actions are directly aligned with the social objectives of management.

Why other options are incorrect:

- (A) **National objective:** Related to national priorities like economic development and self-reliance.
- (B) **Personal objective:** Refers to employee needs like career growth, salary.
- (D) **Economic objective:** Refers to profit maximization and growth.

Final Answer: (C) Social objective

Quick Tip

Social objectives of management involve giving back to society through environmental care, employment generation, and social welfare.

8. In the _____ a securities account can be opened, all shares can be deposited in it. These can be withdrawn / sold at any time and instruction to deliver or receive shares on behalf of the investor can be given.

- (A) Primary market
- (B) Stock exchange
- (C) Bank
- (D) Depository

Correct Answer:

- (D) Depository

Solution:

A **Depository** is a financial institution that holds securities such as shares, debentures, and bonds in electronic form on behalf of investors. It functions much like a bank, but instead of holding money, it holds securities.

By opening a Demat account with a depository participant (DP), investors can:

- Deposit all their shares in electronic form.
- Withdraw or sell these shares at any time.
- Give instructions for buying, selling, or transferring securities.

It ensures convenience, speed, safety, and efficiency in the securities market.

Why others are incorrect:

(A) Primary market: This is where new securities are issued for the first time, not where accounts are maintained. **(B) Stock exchange:** This is a trading platform but doesn't hold securities. **(C) Bank:** Deals with cash and not securities.

Final Answer: (D) Depository

Quick Tip

A depository is like a bank for your shares — it holds, transfers, and manages securities electronically via a Demat account.

9. 'Bonfast Cement Ltd.' supports 7 villages with housing facilities, schools, safe drinking water, health and hygiene. The company sends its employees to visit a nearby village every 15 days to provide support and to see whether the facilities provided are being implemented on ground. The objective which 'Bonfast Cement Ltd.' is trying to achieve is:

- (A) Personal objective
- (B) Social objective
- (C) Organizational objective
- (D) Economic objective

Correct Answer:

- (B) Social objective

Solution:

The term **social objective** refers to a business's responsibility to contribute positively to the society in which it operates. It involves:

- Improving living standards.
- Providing healthcare and education.
- Promoting environmental sustainability.

In the case of Bonfast Cement Ltd., the company is actively involved in rural upliftment by offering critical services to seven villages. They also ensure regular follow-up to check if facilities are functional — demonstrating long-term commitment.

Why other options are incorrect:

(A) Personal objective: Related to individual needs like job security or salary.(C)

Organizational objective: Related to growth, survival, and profit of the company.(D)

Economic objective: Focuses on earning profits and efficient resource use.

Final Answer: (B) Social objective

Quick Tip

Social objectives show a company's concern for community welfare — beyond profit-making motives.

10. To motivate its employees on one side, ‘Harshita Pearls’ rewards them with increase in pay, promotion, recognition, etc. whereas on the other side it stops increments, gives punishment, threatens employees so that they may act in a desired manner.

Which feature of motivation is being highlighted in the above case?

- (A) Motivation is a complex process
- (B) Motivation is an internal feeling
- (C) Motivation can be either positive or negative
- (D) Motivation produces goal-directed behaviour

Correct Answer:

- (C) Motivation can be either positive or negative

Solution:

Motivation refers to the process of stimulating people to act in order to accomplish desired goals. It can be classified as:

- **Positive motivation:** Rewards like pay, promotion, appreciation.
- **Negative motivation:** Threats, punishment, demotions.

In this scenario, Harshita Pearls uses both — reward (positive) and fear of punishment (negative). This dual approach clearly highlights that **motivation can be positive or negative**, depending on the situation and employee behaviour.

Final Answer: (C) Motivation can be either positive or negative

Quick Tip

Motivation isn’t always about rewards — fear of consequences can also drive action, making motivation both positive and negative.

11. Which of the following statements is **not** highlighting the importance of financial planning?

- (A) It helps in forecasting what may happen under different business situations.
- (B) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.
- (C) It provides a link between investment and financing decisions on a continuous basis.

(D) Detailed plans of action prepared under financial planning increases waste, duplication of efforts and gaps in planning.

Correct Answer:

(D) Detailed plans of action prepared under financial planning increases waste, duplication of efforts and gaps in planning.

Solution:

Financial planning is a crucial tool in the efficient management of business finances. It helps:

- Predict financial requirements.
- Link investments with funding sources.
- Avoid surprises and financial instability.

Option (D) states the opposite of what financial planning achieves. Proper planning reduces — not increases — wastage, duplication, and inefficiencies.

Final Answer: (D)

Quick Tip

Financial planning aims to bring clarity, coordination, and control — not confusion or duplication.

12. Most of the organizations these days have adapted themselves to changing environment. To reach and engage with the target customers, they started to have a strong presence on social media like Facebook, Instagram, etc.

From the following, identify the feature of management being highlighted:

- (A) Management is a group activity
- (B) Management is a continuous process
- (C) Management is multidimensional
- (D) Management is a dynamic function

Correct Answer:

(D) Management is a dynamic function

Solution:

Dynamic function means that management must adapt to the changing business environment. Whether it's a technological shift or changing customer preferences — management must respond accordingly.

The shift of companies toward social media to connect with consumers reflects adaptability and responsiveness to the changing external environment.

Final Answer: (D) Management is a dynamic function

Quick Tip

Businesses evolve with changing times — and so must management. This is what makes it dynamic.

13. The legal framework in India requires the manufacturers to provide information about ingredients, date of manufacture, quantity, price, directions for use, etc., on the label of the product.

From the following, identify the consumer right that is satisfied by the firm by fulfilling the requirement:

- (A) Right to safety
- (B) Right to be informed
- (C) Right to be assured
- (D) Right to be heard

Correct Answer:

- (B) Right to be informed

Solution:

The **right to be informed** protects the consumer from misleading information in advertisements or labeling. It helps them make informed decisions by knowing exactly what they are purchasing.

The requirement for manufacturers to disclose product details (like price, ingredients, expiry, usage) fulfills this right.

Final Answer: (B) Right to be informed

Quick Tip

Always check product labels — it's your right to know what you're buying.

14. Due to increasing presence of women in the workforce, 'Kisan Mart' comes out every Friday with big discount offers on daily use items to attract office-going women to shop on weekends.

Which dimension of business environment is being highlighted in the above case?

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

Correct Answer:

- (A) Social environment

Solution:

The **social environment** consists of cultural norms, values, demographic trends, and lifestyles of people. In this case:

- Increasing participation of women in the workforce is a demographic trend.
- Offering discounts tailored for office-going women indicates business response to this social change.

Final Answer: (A) Social environment

Quick Tip

Social changes like rising income, urban lifestyle, or women workforce participation shape business policies.

15. Raunaq, while studying at the university, felt that there should be a food joint in the university campus to provide food to students round the clock. After passing out of college, he set up 'Hunger Point', a food joint with a varied menu ranging from burgers, pizzas, street food and much more, in the university campus. For this, he obtained necessary permissions

from the university administration. Since he was the first one to recognize the need for a food joint for all the students in an environment where students study day and night, it soon became a popular eating joint. Within six months, 'Hunger Point' started earning good profits.

Identify the point of importance of business environment discussed in the above case:

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

Correct Answer:

- (A) It enables the firm to identify opportunities and get the first mover advantage.

Solution:

This question reflects the importance of scanning the business environment to identify new and upcoming trends and consumer needs. Raunaq, while studying, realized the unmet demand for a 24/7 food joint in the campus environment. His timely response to this opportunity allowed him to set up 'Hunger Point' before anyone else, giving him a significant advantage.

This is an example of the firm using environmental awareness to gain the ****first mover advantage****. By being the first to provide a required service, Raunaq was able to:

- Create a loyal customer base.
- Capture the entire market for that niche.
- Establish brand recognition and credibility.

This point shows how important it is to identify and grab business opportunities before competitors do.

Final Answer: (A) It enables the firm to identify opportunities and get the first mover advantage.

Quick Tip

Timely response to environmental changes can help businesses secure an edge and capitalize on opportunities before others.

16. Match the Levels of Management given in Column I with the functions performed at each level given in Column II:

Column I	Column II
1. Top Level Management	(iii) They are responsible for the welfare and survival of the organisation.
2. Middle Level Management	(ii) They ensure that their department has the necessary personnel.
3. Operational Management	(i) They directly oversee the efforts of the workforce.

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

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

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

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

Correct Answer:

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

Solution:

Each level of management performs distinct but interconnected roles:

- **Top Level Management (1)** is responsible for overall strategic planning, vision, and long-term goals of the organization. It ensures survival and growth — thus matches with (iii).
- **Middle Level Management (2)** implements the top-level plans, coordinates with departments, and ensures proper staffing — hence matches with (ii).
- **Operational or Lower Level Management (3)** directly supervises workers and ensures that tasks are carried out efficiently — hence matches with (i).

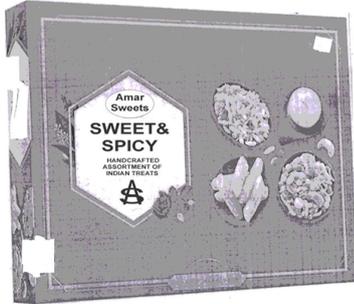
Understanding these distinctions is critical in the study of management hierarchy.

Final Answer: (B) 1-(iii), 2-(ii), 3-(i)

Quick Tip

Top level = Strategic survival; Middle level = Staffing coordination; Operational = Supervision daily tasks.

17. Identify from the following what is depicted in the given picture:



- (A) Trade Mark only
- (B) Brand Name only
- (C) Brand Mark only
- (D) Both Brand Name and Brand Mark

Correct Answer:

- (D) Both Brand Name and Brand Mark

Solution:

The image shows a packaging of a product 'SWEET SPICY' by 'Amar Sweets'. This includes:

- **Brand Name:** The verbal component, i.e., "SWEET SPICY", helps consumers recall and recognize the product.
- **Brand Mark:** The visual symbol and design shown on the packaging, which is identifiable even without text.

The combination of both creates a strong brand identity and consumer recall. Brand name gives identity in words while the brand mark gives visual identity.

Final Answer: (D) Both Brand Name and Brand Mark

Quick Tip

Brand Name is the text (spoken), Brand Mark is the symbol (seen) — both are essential for strong branding.

18. From the following, identify the one which is **not** a function of stock exchange:

- (A) Providing liquidity and marketability to existing securities
- (B) Spreading of equity cult
- (C) Ensuring safety of transactions
- (D) Ensuring that there is no scope for speculation

Correct Answer:

- (D) Ensuring that there is no scope for speculation

Solution:

Stock exchanges play a vital role in a country's financial system by enabling investors to buy and sell securities with ease and transparency. Some key functions of a stock exchange include:

- **Liquidity and Marketability:** Investors can convert their investments into cash quickly by selling shares.
- **Equity Cult:** Stock exchanges promote awareness about investment in shares, encouraging more people to participate.
- **Safety of Transactions:** Through well-regulated systems and surveillance, the stock exchange ensures secure transactions.

However, **stock exchanges cannot completely eliminate speculation.** Speculation is inherent in stock trading. In fact, controlled speculation can even help in ensuring liquidity. It is incorrect to say the exchange ensures there is “no scope” for speculation.

Final Answer: (D) Ensuring that there is no scope for speculation

Quick Tip

Stock exchanges facilitate trading and investment — but they can't eliminate speculation, only regulate it.

19. Choose the **incorrect** statement with respect to demonetization:

- (A) The two largest denomination notes of 500 and 1000 were demonetized with immediate effect, ceasing to be legal tender except for buying properties.
- (B) The aim of this step was to curb corruption and accumulation of black money.
- (C) It led to the tax administration channelizing savings into the formal financial system.
- (D) Restrictions were placed on the convertibility of domestic money and bank deposits.

Correct Answer:

(D) Restrictions were placed on the convertibility of domestic money and bank deposits.

Solution:

Demonetization in India (announced on November 8, 2016) was a historic step involving the withdrawal of 500 and 1000 currency notes from legal tender. Let us evaluate each option:

- **Option (A):** Correct — The 500 and 1000 notes were withdrawn with immediate effect. However, they were not allowed for use in property transactions; rather, temporary exemptions were given only for emergency services for a few days.
- **Option (B):** Correct — One of the primary goals was to curb black money, corruption, and the use of counterfeit notes.
- **Option (C):** Correct — Due to demonetization, large cash reserves had to be deposited in banks, increasing savings in the formal economy.
- **Option (D): Incorrect** — No restrictions were placed on convertibility of domestic money (rupees) into other rupees or bank deposits. People were allowed to deposit their old currency and withdraw new notes.

Therefore, the statement in option (D) is factually incorrect and does not represent a feature of demonetization.

Final Answer: (D) Restrictions were placed on the convertibility of domestic money and bank deposits.

Quick Tip

Demonetization aimed to reduce black money — but it never restricted the convertibility of legal money within the domestic system.

20. ‘Maslow’s Need Hierarchy theory’ is based on certain assumptions. Identify the **incorrect** statement with respect to these assumptions:

- (A) People’s behaviour is based on their needs.
- (B) A satisfied need can no longer motivate a person.
- (C) People’s needs are in a hierarchical order, starting from basic needs to higher level needs.
- (D) A person moves to lower level of need only when a higher level need is satisfied.

Correct Answer:

- (D) A person moves to lower level of need only when a higher level need is satisfied.

Solution:

Maslow’s theory explains how human needs motivate behavior in a sequential order — beginning from the most basic physiological needs to self-actualization. The theory assumes:

Option (A): Correct — Maslow believed that all behavior stems from efforts to fulfill needs.**Option (B):** Correct — Once a need is fulfilled, it stops being a motivator.**Option (C):** Correct — The needs progress hierarchically from basic (like food) to advanced (like self-esteem).**Option (D): Incorrect** — The movement in Maslow’s hierarchy is upwards, not downwards. A person does **not** move to lower level needs when higher-level ones are satisfied.

Thus, Option D is against the core structure of Maslow’s hierarchy and is incorrect.

Final Answer: (D) A person moves to lower level of need only when a higher level need is satisfied.

Quick Tip

Maslow’s hierarchy moves **upward**, not backward — a satisfied need **no longer motivates**, and we ascend to the next level.

21. Neeraj Ltd. started an airline to provide good quality air services. For the same, he purchased ten aircrafts. Out of these, two aircrafts would be used to train the pilots. It will help them to achieve proficiency in handling the aircrafts before they would actually fly them.

- (i) Identify and explain the method of training discussed above.
- (ii) State any two advantages the pilots would get from this training.

Correct Answer:

- (i) Vestibule Training
- (ii) Two Advantages: Practical Experience and Safety Risk Elimination

Solution:

(i) The method of training discussed here is **Vestibule Training**. In this method, training is provided using the actual equipment in a setup separate from the workplace. The two aircrafts are used as simulators for training purposes, without the pressure of real-time operations. This helps trainees practice in a controlled environment.

(ii) Two advantages of Vestibule Training for pilots are:

- **Realistic Experience:** Pilots gain hands-on practice with actual aircrafts before operating in real scenarios.
- **Safety:** There's no risk to human lives or property as trainees are not yet involved in actual flying.

Final Answer:

- (i) Vestibule Training
- (ii) Realistic hands-on practice and increased safety during learning phase.

Quick Tip

Vestibule training is ideal when real equipment is expensive or risky — perfect for aviation, manufacturing, or healthcare.

22. (a) Give the meaning of 'Contract Note' and 'T+2' system in the trading procedure in a stock exchange.

OR

(b) State any three regulatory functions of Securities and Exchange Board of India.

Correct Answer:

Attempting both parts for detailed explanation.

Solution:

(a) Meaning of Contract Note and T+2 System:

- **Contract Note:** It is a legal confirmation document issued by a stockbroker to an investor after a trade is executed. It includes details like price, quantity, brokerage, date, time, and settlement terms. It acts as proof of transaction.
- **T+2 System:** Refers to the settlement cycle where the securities are delivered, and payment is made two business days after the trade date (T). For example, if a trade happens on Monday, the settlement happens on Wednesday.

(b) Three Regulatory Functions of SEBI:

- **Regulating Stock Exchanges:** SEBI monitors and regulates stock exchanges to ensure fair trading practices.
- **Protecting Investor Interests:** It protects investors from fraud, misleading advertisements, and insider trading.
- **Monitoring Mutual Funds and Portfolio Managers:** SEBI ensures mutual funds operate within regulatory boundaries and investor funds are handled transparently.

Final Answer: Attempted both parts.

Quick Tip

T+2 ensures timely settlement of trades; SEBI's role is to keep the market fair, safe, and efficient for investors.

23. Two ambitious friends, Sana and Mihir, having passion for creating innovative software applications, established a tech startup named 'Quick Solutions'. Their software was developed in such a way that it caters to the needs of all sections. Since its inception, 'Quick Solutions' was earning enough revenue to cover the costs. They faced countless challenges from competing with large and well-established companies. But they learned from their mistakes and continuously improved their product. Slowly, their software gained recognition

for its quality and uniqueness and the company started making profits. It was a big incentive for Sana and Mihir for the continued successful operation of the enterprise. Within two years, the customer base increased manifold. Now, Sana and Mihir decided to make additional capital investment and hired more employees. They invested in research and development and expanded their product line to meet emerging market demands. 'Quick Solutions' ultimately became the industry leader because of the tireless efforts of Sana and Mihir. Quoting lines, identify and state the objectives of management discussed in the above case which 'Quick Solutions' seeks to achieve.

Correct Answer:

Objectives: Organizational, Social, and Personal Objectives

Solution:

Three major objectives of management that are highlighted in this case are:

- **Organizational Objective:** The primary aim is to earn profits and survive in the competitive market.

Quoted line: "Since its inception, 'Quick Solutions' was earning enough revenue to cover the costs" and "the company started making profits."

- **Social Objective:** Developing software that caters to all sections of society shows a commitment to social welfare.

Quoted line: "Their software was developed in such a way that it caters to the needs of all sections."

- **Personal Objective:** By investing in RD and hiring more employees, the company supports individual development and incentives for workers.

Quoted line: "They invested in research and development and hired more employees."

Final Answer: Organizational, Social, and Personal Objectives.

Quick Tip

Always connect your answer with direct quotes from the case to strengthen your justification.

24. (a) Explain any three psychological barriers to communication.

OR

(b) 'Directing helps in effective and efficient functioning of the organization.' Explain this statement by giving any three points.

Correct Answer:

Attempting both parts for explanation.

Solution:

(a) Three Psychological Barriers to Communication:

- **Premature Evaluation:** Sometimes, the listener evaluates the message before the sender finishes. This disrupts the communication flow.
- **Lack of Attention:** Distraction or mental preoccupation leads to ignoring the message.
- **Emotions:** Negative emotions like anger or jealousy can distort interpretation of messages.

(b) Directing and Its Importance in Effective Functioning:

- **Initiates Action:** Directing guides employees on what to do and how to do it, ensuring action.
- **Integrates Efforts:** It helps in harmonizing individual goals with organizational goals.
- **Motivates Employees:** Through leadership and communication, it boosts morale and productivity.

Final Answer: Explained both parts for clarity.

Quick Tip

Psychological barriers occur inside the mind — directing removes confusion and aligns people toward the same goal.

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

- (i) Marketing planning
- (ii) Gathering and analyzing market information

OR

(b) Explain the following factors which affect the fixation of price of a product:

(i) Product cost

(ii) Utility and Demand

Correct Answer:

Attempting both parts for detailed understanding.

Solution:

(a) Functions of Marketing:

- **Marketing Planning:** It involves setting marketing goals and outlining strategies to achieve them. It includes planning product launch, advertising, pricing, etc.
- **Gathering and Analyzing Market Information:** Businesses must understand customer preferences, competitors, and market trends. This helps in making informed decisions.

(b) Factors Affecting Price Fixation:

- **Product Cost:** This is the baseline for setting the price. Includes production, packaging, and distribution costs.
- **Utility and Demand:** If a product is more useful and in demand, consumers may be willing to pay more. High utility and demand often lead to higher prices.

Final Answer: Provided explanations for both OR parts.

Quick Tip

Marketing planning focuses on strategy. Pricing depends on cost, demand, and consumer perception of value.

26. Arushi successfully runs a bookstore 'Children's Delight' catering to children of the age group of 5–15 years. They have the complete range of children's books like activity books, colouring books, fiction and much more. The books are of good quality and are highly appreciated by schools, parents and children. They have 16 stores all over India, where children can not only purchase the books, but can also come and read, and participate in quiz

competitions and experience the joy of reading. They have their own well-managed inventory management, storage, and warehousing to deliver books to locations all over India. The bookstore regularly communicates the availability, features, merits, etc. of the books to target customers and persuades them to buy the books.

Quoting lines in the situation, identify and explain the two elements of marketing mix in addition to 'Product' highlighted in the above case.

Correct Answer:

Place and Promotion

Solution:

In addition to the 'Product' (i.e., books of different genres for children), the other two elements of the marketing mix in this case are:

- **Place:** Refers to the distribution channels and availability of the product.

Quoted line: "They have 16 stores all over India... deliver books to locations all over India."

This highlights that the bookstore has a wide reach, and their inventory and delivery system ensures books are accessible to customers.

- **Promotion:** Refers to activities that communicate product merits to persuade buyers.

Quoted line: "The bookstore regularly communicates the availability, features, merits, etc. of the books to target customers."

This shows promotional activities that influence customer decisions.

Final Answer: Place and Promotion

Quick Tip

Marketing mix includes Product, Price, Place, and Promotion — remember '4Ps' to identify elements in case studies.

27. (a) Explain any four characteristics of planning.

OR

(b) Explain any four points of importance of decentralisation.

Correct Answer:

Attempting both parts.

Solution:

(a) Four Characteristics of Planning:

- **Planning focuses on achieving objectives:** All planning is directed towards achieving specific goals.
- **Planning is a primary function:** It precedes other managerial functions.
- **Planning is pervasive:** It is required at all levels of management and in all departments.
- **Planning is futuristic:** It is forward-looking and based on forecasting.

(b) Four Importance of Decentralisation:

- **Relieves top management:** Operational decisions are delegated, reducing the workload of senior executives.
- **Quick decision making:** Decisions are taken at points of action.
- **Promotes motivation:** Increases autonomy and responsibility among lower-level managers.
- **Facilitates growth:** Enables each department/unit to function independently, aiding organizational expansion.

Final Answer: Both planning characteristics and decentralisation importance explained.

Quick Tip

Planning is “what to do” in advance; decentralisation is “who decides” — both support effective management.

28. State any four points of importance of consumer protection from the point of view of business.

Correct Answer:

Four importance points for business:

Solution:

- **Long-term interest of business:** Consumer satisfaction builds brand loyalty and long-term success.
- **Moral justification:** It is the moral duty of business to protect consumers from exploitation.
- **Government intervention prevention:** Businesses following ethical practices reduce legal risks and government interference.
- **Competitive advantage:** Customer-focused companies gain a better market reputation.

Final Answer: Long-term interest, moral duty, avoids legal trouble, and builds good image.

Quick Tip

Protecting consumers is not just ethical — it's a smart strategy for sustainable business growth.

29. Vibhas recently joined as a Human Resource Manager of 'Bajanta Enterprises'. The company had embarked on a special project for which Vibhas had appointed twenty new employees. After the employees underwent on-the-job training for a month and had been on the job for some time, there was a need to evaluate their performance against certain pre-determined standards. Not only this, 'Bajanta Enterprises' had to address the career related issues and promotional avenues for their employees. Vibhas was designing activities to serve their employees' long-term interests. By doing this, 'Bajanta Enterprises' had completed two important steps of staffing process. Identify and explain those steps.

Correct Answer:

Performance Appraisal and Career Advancement

Solution:

- **Performance Appraisal:** Refers to evaluating an employee's work against pre-set standards.
Clue: "...evaluate their performance against certain pre-determined standards."
- **Career Advancement:** Refers to career planning and designing promotional paths to align with employees' long-term goals.

Clue: “...address the career related issues and promotional avenues for their employees.”

These are the last steps in the staffing process after recruitment, selection, and training.

Final Answer: Performance Appraisal and Career Advancement

Quick Tip

Staffing ends with feedback and future planning — appraisal ensures performance, career planning ensures retention.

30. ‘Leno’ is a reputed car manufacturing company, which is going to complete its 75 years in October 2024. The Chief Executive Officer of the company decided to take the company to a higher level. For this he called a meeting of all departmental heads of the company. In the meeting, the Chief Executive Officer proposed a target to increase sales by 10% and profits by 20% in its Platinum Jubilee year.

The Human Resource Manager estimated that an increase of 500 workers would be required to achieve the target. The Finance Manager suggested that the company must hold adequate cash balances for various purposes, and he will prepare a statement showing the estimated cash inflows and outflows for this particular period.

Identify and explain two types of plans discussed in the above case.

Correct Answer:

Objective and Financial Plan

Solution:

- **Objective:** The broad goal or target that an organization aims to achieve.

Clue: “...proposed a target to increase sales by 10% and profits by 20%...” — This sets a clear objective.

- **Financial Plan (Budget):** Planning and forecasting of financial requirements, including cash inflow and outflow.

Clue: “...prepare a statement showing the estimated cash inflows and outflows...”

These plans guide resource allocation and future course of action.

Final Answer: Objective and Financial Plan

Quick Tip

Objectives guide 'what to achieve'; financial plans decide 'how to fund' it.

31. (a) Explain the following principles of general management:

- (i) Stability of Personnel
- (ii) Esprit de corps
- (iii) Order

OR

(b) Explain the following features of principles of management:

- (i) General guidelines
- (ii) Mainly behavioural
- (iii) Contingent

Correct Answer:

Attempting both parts.

Solution:

(a) Principles of General Management:

- **Stability of Personnel:** Frequent turnover of employees affects efficiency. Managers should strive to retain talent.
- **Esprit de corps:** Promotes team spirit and unity to improve performance.
- **Order:** Proper arrangement of people and materials ensures smooth functioning.

(b) Features of Principles of Management:

- **General Guidelines:** They guide managerial decisions but are not rigid rules.
- **Mainly Behavioural:** They focus on human behavior and relationships at work.
- **Contingent:** Their application depends on the situation and context.

Final Answer: Explained both principle meanings and feature characteristics.

Quick Tip

Management principles help managers decide **what to do**, but their use depends on the **situation**.

32. (a) Explain the following factors affecting choice of capital structure of a company:

- (i) Return on Investment
- (ii) Floatation Costs
- (iii) Flexibility

OR

(b) Explain the following factors affecting working capital requirement of a company:

- (i) Nature of business
- (ii) Business cycle
- (iii) Inflation

Correct Answer:

Attempting both parts.

Solution:

(a) Factors Affecting Capital Structure:

- **Return on Investment:** Companies earning higher ROI can use debt since they will be able to generate returns greater than the cost of debt.
- **Floatation Costs:** These are the costs involved in issuing securities. Debt usually involves lower floatation cost than equity.
- **Flexibility:** A sound capital structure provides the flexibility to raise funds as and when needed without rigidity.

(b) Factors Affecting Working Capital Requirements:

- **Nature of Business:** Trading firms require more working capital than manufacturing firms due to higher immediate inventory and cash needs.
- **Business Cycle:** In boom periods, working capital requirements are high due to increased sales and production.

- **Inflation:** As price levels rise, more funds are needed for same inventory and operational costs.

Final Answer: Both capital structure and working capital factors explained.

Quick Tip

Capital structure is about long-term funding decisions; working capital is about day-to-day liquidity.

33. Nishtha runs a chain of famous restaurants, 'Indian Kitchen', in different parts of Delhi. The restaurant chain was known for good quality food and quick service. 'Indian Kitchen' was generating good revenue and had goodwill in the market. Nishtha would take a weekly report from all the Restaurant Managers and take necessary action to resolve the problems, if any. Nishtha noticed a sudden decline in sales in one of the restaurants. She questioned the Restaurant Manager who mentioned that the restaurant is seeing a gradual decrease in the number of customers, but could not provide a clear explanation for it. So, Nishtha formed a team to find out the causes of the declining customers as this is the key area for restaurant business and is critical to the success of business. By doing this, Nishtha is performing a step of the process of a function of management.

- Identify and explain the function of management discussed above.
- Explain the step of the function identified in (i) above, followed by Nishtha to find out the causes of declining revenue.
- Explain the step Nishtha will take after she gets the report from the team about the causes of declining revenue.

Correct Answer:

Function: Controlling

Steps: Comparison and Taking Corrective Action

Solution:

(i) Function of Management: Controlling

Controlling ensures that actual performance matches planned performance. It involves setting standards, measuring actual performance, comparing it, and taking corrective action.

Clue: Nishtha compared actual sales decline with expected sales and sought reasons.

(ii) Step Followed: Comparison of Actual Performance with Standards

Nishtha compared the decline in sales (actual performance) with standard or expected sales levels and initiated investigation.

Clue: She formed a team to study the causes of falling revenue.

(iii) Next Step: Taking Corrective Action

After receiving the team report, Nishtha will implement strategies to increase customer visits such as promotional offers, quality checks, or service improvements.

Final Answer: Function — Controlling; Steps — Comparison and Corrective Action.

Quick Tip

Controlling is not only about monitoring — it is also about taking timely corrective action.

34. ‘Rewton Ltd.’ was a reputed computer software company providing unique software all over India. The turnover of the company was very high resulting in good profits. The Chief Executive Officer, Vihaan, was very strict and disciplined. He specified the boundaries of authority and responsibility for achieving organizational goals. There was systematic coordination among the various activities and specific relationships among various job positions. The company provided facilities like a canteen, a gym, a library, a music room, and a rest area for its employees, which they could use during rest intervals. Using these facilities, the employees developed friendships and discussed not only their personal, social and emotional issues, but also the official ones.

The General Manager was of a different view. He told the Chief Executive Officer that there was no use providing these facilities to the employees as it is an extra financial burden on the organization on one hand and on the other hand, it encourages groupism and whenever any change is required in the organization, they all resist. He suggested that they should do away with these facilities. But the Chief Executive Officer, Vihaan, explained to the General Manager that this type of social interaction is necessary, and is in the best interest of the organization. These interactions among people at work give rise to a network of social relationships among employees and have many benefits.

- (i) Identify and explain the type of organisation whose existence the Chief Executive Officer felt was necessary.
- (ii) State any two advantages and two disadvantages of the type of organization identified in (i) above.

Correct Answer:

Informal Organisation

Solution:

(i) Informal Organisation:

It arises from social interaction among employees in an organization. It is not defined by the formal hierarchy but is based on friendship, common interest, and social needs.

Clue: “...these interactions... give rise to a network of social relationships.”

(ii) Two Advantages of Informal Organisation:

- **Quick Communication:** Messages and feedback flow rapidly through informal channels.
- **Fosters Cooperation:** It enhances teamwork, mutual support, and motivation.

Two Disadvantages of Informal Organisation:

- **Groupism:** Informal groups may resist changes or develop pressure groups.
- **Spread of Rumours:** Lack of control can lead to misinformation being spread informally.

Final Answer: Informal Organisation; Pros — Communication Cooperation; Cons — Groupism Rumours.

Quick Tip

Informal organisation forms naturally — it can help or hurt, depending on how it is handled by management.