

CBSE Business Studies Question Paper With Solutions

SET 3 - 66/5/3

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

Read the following instructions very carefully and strictly follow them:

1. 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. Naman and Vineet were childhood friends and both were working in ‘Sunshine Crockery.’ Naman was working as the Chief Executive Officer while Vineet was the Production Manager. They would generally discuss company related issues over lunch-time or while travelling together.

The company had recently received an order for supply of 5,000 dinner sets from Shaurya Hotel. It was an unexpected order and would increase the revenue of the company. This order was communicated by Naman to Vineet over intercom. Vineet executed the order within the given time period. For this, he was appreciated by Naman. The type of communication used by Naman to communicate the order to Vineet was :

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

Correct Answer:

(B) Informal Communication

Solution:

The scenario describes Naman and Vineet discussing company matters during lunch or while travelling, which clearly suggests an informal setting. The fact that communication was done over the intercom does not necessarily make it formal — what matters is the channel and setting of the message. Since they were friends and often engaged in casual discussions related to work, this falls under Informal Communication.

Key Characteristics of Informal Communication:

1. **Unofficial Channel:** Not based on organizational hierarchy or prescribed methods.
2. **Friendship-based:** Driven by interpersonal relationships, often between peers or friends.
3. **Flexibility:** Faster, spontaneous, and useful for quick dissemination of information.

Why not others?

- (A) Formal Communication: Would involve hierarchical, documented, or official channels like emails or memos.
- (C) Online Communication: Refers to digital mediums like emails, chats, etc., not specifically intercom.
- (D) Visual Communication: Involves diagrams, signs, charts, etc., not verbal communication over intercom.

Final Answer: (B) Informal Communication

Quick Tip

When you see words like "casual," "over lunch," or "among friends," think **Informal Communication**. Hierarchy, formality, and written format usually point to **Formal Communication**.

2. 'Vanguard Inc.', a company manufacturing footwear for men, women and children has been earning consistent profits for the last many years. It has a democratic style of working. Workers are encouraged to develop and carry out plans for improvement in the organisation. Varun who is working in the production department gave a suggestion which resulted in 10%

reduction in the cost of production of shoes. He was rewarded for his suggestion. Identify the principle of management followed by 'Vanguard Inc.' in the above case :

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

Correct Answer:

- (C) Initiative

Solution:

The case highlights that Varun, a worker in the production department, was encouraged to give a suggestion, which was implemented and rewarded. This directly reflects Henri Fayol's principle of **Initiative**.

textbfExplanation of Principle of Initiative:

1. **Definition:** It involves encouraging employees to take self-initiatives and come forward with suggestions and ideas.
2. **Benefit:** It improves morale, commitment and creates a sense of belonging among employees.
3. **Application in Case:** Varun took initiative to reduce cost; management encouraged and rewarded it.

textbfWhy not others?

- (A) Esprit De Corps: Promotes team spirit and unity, not specific to idea contribution.
- (B) Subordination of Individual Interest: Involves putting organization's interest above personal interest, not about innovation.
- (D) Equity: Relates to fairness and justice, not initiative taking.

textbfFinal Answer: (C) Initiative

Quick Tip

When a case mentions employees contributing ideas or suggestions and being rewarded for it, link it to the **Initiative** principle of Fayol.

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

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

Choose the correct option from the following :

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

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

(C) Both the Statements are true.

(D) Both the Statements are false.

Correct Answer:

(C) Both the Statements are true.

Solution:

Statement-I: This is correct because motivation operates on both positive and negative reinforcements. Positive motivation includes rewards like promotions, bonuses, and recognition. Negative motivation involves penalties or fear of loss, such as demotion or salary cuts. Both types are used by organizations based on the situation.

Statement-II: This is also correct. Motivation is indeed complex as every individual differs in their values, expectations, needs, personality traits, and life experiences. For example, while one employee might be motivated by monetary incentives, another may value flexible working hours or autonomy. Thus, due to heterogeneity, the same stimulus may have different impacts on different people.

Why (C) is correct: Both statements are individually true, and neither contradicts the other. Together, they emphasize the nature and complexity of motivation.

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

Quick Tip

When both the assertion and reason describe valid but different aspects of a concept, and don't contradict each other, (C) is often the correct answer. Look for compatibility.

4. 'Child-O' is a garment manufacturing company which makes clothes with unique and stylish designs for children. Naisha was working as the Human Resource Manager with

'Child-O'. In spite of good pay and many other benefits offered, the company is facing problem of high turnover of its employees. Naisha tried to find out the reason but could not. She appointed a person with the permission of the Chief Executive Officer to find out the reason. It was found that other organisations were giving more autonomy and authority to their employees which made them feel that their jobs were important. This was attracting the employees of 'Child-O' to other organisations. The incentive which attracted the employees of 'Child-O' to other organisations is :

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

Correct Answer:

- (D) Employee Empowerment

Solution:

Employee Empowerment means giving employees more autonomy and authority to take decisions. In this case, 'Child-O' was facing high attrition because other companies were offering employees more freedom and independence in their roles. This empowerment makes employees feel valued and trusted, enhancing job satisfaction and motivation. When employees perceive they have ownership over their work and influence in decision-making, their engagement and retention improves.

Naisha's findings confirm that the core reason for attrition was lack of empowerment.

Why not others:

- (A) Recognition focuses on rewards, not autonomy.
- (B) Participation refers to being involved in decisions, but not full authority.
- (C) Career advancement relates to promotion and growth, not empowerment.

Final Answer: (D) Employee Empowerment

Quick Tip

Look for keywords like "*autonomy*" and "*authority*" to identify Empowerment in case studies. Participation means involvement; Empowerment means control.

5. Read the following statements :

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

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

Choose the correct alternative from those 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:

Leasing helps a business acquire assets without paying full upfront costs. This reduces the need for high fixed capital investments.

- **Assertion (A)** is true: Leasing reduces the initial cash outflow for fixed assets.

- **Reason (R)** is also true: Lease rentals are periodic payments that allow asset usage without ownership.

- Reason (R) correctly explains Assertion (A), as leasing is the mechanism that enables reduction in fixed capital.

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

Quick Tip

If Assertion talks about an impact and Reason explains the mechanism clearly, it's likely option (A). Ensure both are factually correct.

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

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

Correct Answer:

- (D) Diversification

Solution:

Financing decision refers to decisions related to the mix of debt and equity financing.

Factors that typically affect this decision include:

- **Fixed operating costs:** Influence business risk and hence affect financing choices.
- **Cash flow position:** Affects the firm's ability to service debt.
- **Control considerations:** Debt does not dilute ownership, whereas equity does.

Diversification, although important in business strategy, is not a direct factor in making financing decisions.

Final Answer: (D) Diversification

Quick Tip

If the option doesn't directly impact sources of capital or financial structure, it likely isn't a financing factor.

7. Which of the following is the function of Top level management ?

- (A) They ensure that their department has the necessary personnel.
- (B) They interact with the actual work force and pass on instructions of the middle management to the workers.
- (C) They co-operate with other departments for smooth functioning of the organisation.
- (D) They analyse the business environment and its implications for the survival of the firm.

Correct Answer:

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

Solution:

Top level management is responsible for setting the overall direction of the organization.

Their key roles include:

- Framing objectives and policies.
- Analyzing the external environment (e.g., market trends, threats).
- Ensuring organizational survival and long-term profitability.

Why not others:

- (A) and (B) describe middle or lower-level management roles.
- (C) is more about coordination among middle departments.

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

Quick Tip

Top level = vision, policy, environment scanning; Middle = execution; Operational = implementation.

8. Choose the **incorrect** statement about Money market:

(A) The main instruments traded in this market are Treasury bills, Trade bills, Commercial paper and Certificates of deposit.

(B) In this market, transactions entail huge sums of money as the instruments are quite expensive.

(C) Participation in this market is by and large undertaken by institutional participants such as the Reserve Bank of India, banks, financial institutions and finance companies.

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

Correct Answer:

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

Solution:

The Money Market is concerned with **short-term instruments**, typically less than one year.

Examples: Treasury bills, Call money, Certificates of Deposit.

- **(D)** is incorrect because **medium and long-term securities** are traded in the **Capital Market**, not the Money Market.

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

Quick Tip

If its about <1 year maturity = Money Market. >1 year = Capital Market.

9. Identify the factor affecting fixed capital requirements which Kanand Ltd. kept in mind to meet higher anticipated demand quicker.

(A) Scale of operations

(B) Nature of business

(C) Diversification

(D) Growth prospects

Correct Answer:

(D) Growth prospects

Solution:

Growth prospects reflect the firm's expectation of expanding in the future.

Kanand Ltd.'s investment in more fixed assets to meet rising demand shows that it is responding to future growth.

- Government subsidies, rising capacity, and quick delivery = all signal positive growth expectations.

Final Answer: (D) Growth prospects

Quick Tip

If the case highlights increasing demand, higher capacity, subsidies– choose **Growth prospects**.

10. Identify from the following – what is shown in the picture of refrigerator given below ?



Refrigerator

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

Correct Answer:

- (D) Label

Solution:

Labeling provides information about the product like brand, features, warranty, energy rating, etc.

- The picture includes brand name, warranty info, power savings, and other technical details which are typically found on a **label**.
- **Label** = Information panel fixed on product for consumer awareness.

Final Answer: (D) Label

Quick Tip

If the image includes text/information about product specifications or features, it's a **label**.

11. Identify the feature of business environment highlighted in the given statement:

... it is relatively easier to understand the environment in parts but difficult to grasp in its totality ...

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

Correct Answer:

- (B) Complexity

Solution:

Business environment is complex because:

- It consists of many forces: political, legal, social, economic, etc.
- These forces are interrelated.
- Understanding one part is easier, but grasping all together is difficult.

Hence, the statement reflects **Complexity**.

Final Answer: (B) Complexity

Quick Tip

If a question mentions interrelated, difficult to understand fully– choose **complexity**.

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

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

Correct Answer:

- (A) Depository

Solution:

A **Depository** is an institution which holds securities in dematerialized form.

- It eliminates the need for physical certificates.
- In India, NSDL and CDSL are major depositories.

Final Answer: (A) Depository

Quick Tip

Demat account = Depository. Think of it like a bank account for shares.

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

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

Correct Answer:

- (B) Management is all pervasive.

Solution:

The feature of management highlighted in the question is **”Management is all pervasive.”** This means that the principles and processes of management apply universally across all types of organizations — be it business, political, religious, social, or even a household setup. Management is required in all types of organizations irrespective of their nature, size, or purpose. Whether it’s a private company, a government agency, an educational institution, or a non-profit organization, all need efficient management to function smoothly and achieve goals.

In this context, the statement that managing activities are common to all organizations highlights the universality or all-pervasiveness of management.

Final Answer: (B) Management is all pervasive.

Quick Tip

When the question talks about managing different kinds of organisations or the universality of management, choose **”Management is all pervasive.”**

14. Match the terms given in Column-I with their meaning in Column-II.

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

Choose the correct option from the following :

a b c d

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

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

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

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

Correct Answer:

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

Solution:

Let's match each term logically:

a. Trademark – (ii) A brand or a part of the brand that is given legal protection. Trademarks protect logos, brand names, slogans, etc.

b. Brand name – (i) A name, term, sign, etc. used to identify products. It is the identifiable spoken element of a brand.

c. Brand – (iv) That part of the brand which can be spoken. This generally means the brand name.

d. Brand mark – (iii) That part of the brand which is recognizable but not utterable — typically a logo or symbol.

Final Answer: (D) (ii), (i), (iv), (iii)

Quick Tip

Remember: Brand name is what you speak, Brand mark is what you see. Trademark gives legal protection.

15. Statement-I: The basic function of a Stock Exchange is the creation of a continuous

market where securities are bought and sold.

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

Choose the correct option from the following :

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

Correct Answer:

- (C) Both the Statements are true.

Solution:

Statement-I is true because a Stock Exchange indeed creates a continuous market where securities are traded regularly. This ensures regularity and ease of transaction for investors.

Statement-II is also true as the core purpose of a Stock Exchange is to ensure liquidity — meaning that investors can convert their securities into cash easily — and marketability — which refers to the ease of trading existing securities.

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

Quick Tip

If both statements align with the core function of Stock Exchange (liquidity, market, trading), pick (C).

16. Navya went to a supermarket for grocery shopping. She bought one kg of bajra flour from the supermarket. On reaching home when she opened the packet she found worms inside it. She was disappointed and told her son about the same. Her son asked her to check the label. When she checked the label of the packet, she found that bajra flour was stale and beyond the expiry date. She approached the sales-person at the supermarket who replaced the bajra flour immediately. When she thanked the sales-person, she was told that it was the policy of the supermarket to satisfy the customers. He further told that satisfied customers not only lead to repeat sales but they also provide good feedback to prospective customers

which helps in increasing the customer base of business. Identify the point of importance of consumer protection from the point of view of the supermarket which is helping them to increase the customer base :

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

Correct Answer:

- (A) Long term interest of the business

Solution:

The supermarket emphasizes **Long-term Business Interests** — this means its consumer protection policies aim to build a loyal customer base that ensures consistent repeat sales.

Why this option:

- By replacing defective goods and maintaining customer satisfaction, the store is aiming to retain customers over a long period.
- Satisfied customers often spread positive word-of-mouth, helping the business grow organically.

Why not others:

- (B) Moral Justification would focus on ethics, not business benefits.
- (C) Social Responsibility is more about community welfare, which is not emphasized here.
- (D) No government regulation is mentioned.

Final Answer: (A) Long term interest of the business

Quick Tip

Look for clues like "repeat sales", "positive feedback", and "customer base" to identify this point.

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

recruitment discussed above is :

- (A) Direct recruitment
- (B) Casual callers
- (C) Labour contractors
- (D) Campus recruitment

Correct Answer:

- (B) Casual callers

Solution:

The source of recruitment discussed in the question is **Casual Callers**, which refers to individuals who visit the company on their own initiative in search of job opportunities, without any formal advertisement or invitation. Many progressive companies maintain a database or file of such unsolicited applicants and contact them when suitable vacancies arise.

Why (B) Casual callers is correct:

- **Definition:** Casual callers are people who seek employment on their own initiative by visiting business organizations and submitting their resumes or biodata without responding to any job advertisement.
- **Utility:** Maintaining a list or database of these callers helps the company reduce time and cost when vacancies arise unexpectedly.
- **Proactiveness:** These candidates are usually proactive and motivated, which is seen as a desirable trait by employers.

Why not the others:

- (A) **Direct recruitment:** It is used for hiring employees directly from the gate of factory or office premises—commonly for blue-collar jobs. Not the case here.
- (C) **Labour contractors:** These are intermediaries that supply labor; the company doesn't maintain a record of unsolicited applicants here.
- (D) **Campus recruitment:** This refers to hiring from educational institutions—not relevant as there is no mention of colleges/universities.

Final Answer: (B) Casual callers

Quick Tip

When a question refers to unsolicited applicants or those who drop in without advertisements, it usually refers to "Casual Callers." Keep a mental link between "database of walk-ins" and "casual callers".

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

- (A) Efficiency
- (B) Effectiveness
- (C) Management
- (D) Coordination

Correct Answer:

- (A) Efficiency

Solution:

The term described in the question refers to **Efficiency**. In the context of management, efficiency means doing tasks right, i.e., minimizing costs, using fewer resources, and ensuring optimal use of inputs like time, money, and materials.

Key features of Efficiency:

- **Input-Oriented:** Focuses on the relationship between inputs and outputs.
- **Resource Utilization:** Maximizing output with minimum input.
- **Cost-Saving:** Emphasizes reduction in production and operational costs.

Example: If two managers complete the same task, but one uses 5 resources while the other uses 3, the latter is more efficient.

Why not the others:

- (B) **Effectiveness:** Focuses on "doing the right task" rather than "doing the task right." It is about goal achievement, not cost-saving.
- (C) **Management:** Is a broad term that encompasses efficiency and effectiveness, not specific to cost.

- **(D) Coordination:** Deals with harmonizing efforts across departments, not related to cost minimization.

Final Answer: (A) Efficiency

Quick Tip

Efficiency = Economical use of resources; Effectiveness = Achievement of targets. Always link "minimum cost" or "least effort" to Efficiency.

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

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

Correct Answer:

- (B) Legal environment

Solution:

The correct answer is **Legal Environment**, which refers to the framework of laws, rules, and regulations that a business must operate within. The prohibition on single-use plastics as per the Plastic Waste Management Rule is a legal directive issued by the government, and businesses are legally obligated to comply.

Explanation:

- **Legal directives:** Ban on single-use plastics is not merely a policy suggestion but a legally binding rule.
- **Compliance:** Businesses not adhering to this law could face penalties or closures, thereby affecting their operations and strategies.
- **Business Impact:** Companies in food packaging, retail, or FMCG had to switch to biodegradable alternatives, causing increased cost or changes in supply chains.

Why not other options:

- (A) **Economic environment:** Deals with interest rates, inflation, purchasing power—not law.
- (C) **Technological environment:** Involves tech advancements, AI, R&D—not regulations.
- (D) **Political environment:** Refers to political parties, stability, foreign policies—not specific laws or bans.

Final Answer: (B) Legal environment

Quick Tip

When a case involves rules, bans, licenses, or regulations passed by government agencies, it belongs to the Legal Environment.

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

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

Correct Answer:

- (D) Policies of taxation and investment

Solution:

The correct answer is **(D) Policies of taxation and investment**, which is not an element of the **Social Environment**. Instead, it belongs to the **Economic Environment**. The social environment includes customs, traditions, values, social trends, and literacy levels, all of which shape consumer preferences and business strategies.

Explanation:

- **Social Environment:** Deals with social customs, habits, values, beliefs, population demographics, and lifestyle.
- **Economic Environment:** Includes fiscal policies, tax structure, interest rates, inflation, and investment norms.

- Tax policies influence savings, investment, and income distribution—not directly linked with societal customs or lifestyle.

Why others are correct elements of Social Environment:

- (A) **Composition of family:** Joint vs. nuclear families affect product demand and marketing strategy.
- (B) **Consumption habits:** Changes in diet, fashion, or gadgets directly affect consumer markets.
- (C) **Literacy rates:** Affects demand for educational, tech, and banking services.

Final Answer: (D) Policies of taxation and investment

Quick Tip

Elements like values, habits, lifestyle = Social; monetary or fiscal policies = Economic.
Always cross-match with real-world business implications.

21. State any three protective functions of ‘Securities and Exchange Board of India’.

Correct Answer:

- Prohibition of fraudulent and unfair trade practices
- Controlling insider trading
- Promotion of fair practices and code of conduct

Solution:

The Securities and Exchange Board of India (SEBI) plays a vital role in protecting the interests of investors and maintaining the integrity of the securities market. Its protective functions are primarily aimed at safeguarding investors from malpractices. Here are three detailed protective functions:

1. Prohibition of Fraudulent and Unfair Trade Practices:

SEBI prohibits manipulative practices such as price rigging, creation of artificial trading volumes, spreading false or misleading information, and circular trading. These practices mislead investors and manipulate the price of securities, resulting in huge financial losses. SEBI investigates such activities and takes strict action, including penalties, suspension, or

banning of entities from trading.

Example: In 2020, SEBI took action against a group of traders manipulating penny stocks using pump-and-dump schemes.

2. Controlling Insider Trading:

SEBI enforces strict rules against insider trading, i.e., when individuals with access to unpublished price-sensitive information use it to make illegal profits. The SEBI (Prohibition of Insider Trading) Regulations ensure fair disclosure and require companies to maintain a structured digital database of insiders.

Example: In 2021, SEBI imposed penalties on senior executives of a pharma company for trading ahead of public announcements.

3. Promotion of Fair Practices and Code of Conduct:

SEBI ensures that intermediaries like brokers, merchant bankers, and portfolio managers operate with integrity. It lays down rules and guidelines for ethical behavior, transparency, and grievance redressal.

Example: SEBI introduced investor grievance redressal mechanisms such as SCORES (SEBI Complaints Redress System).

Final Answer:

- Prohibition of fraudulent and unfair trade practices
- Controlling insider trading
- Promotion of fair practices and code of conduct

Quick Tip

SEBI protects investors much like a traffic police—ensuring safety, preventing accidents (frauds), and enforcing rules.

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

(b) Also, state any two advantages the drivers will get after this training.

Correct Answer:

(a) Vestibule Training

(b) (i) Reduces operational errors (ii) Builds confidence and improves performance

Solution:

(a) Method of Training: Vestibule Training

Vestibule training is a method where training is provided in a simulated environment, away from the actual work floor, but using the same equipment as the job. In this case, Caro used two available cars specifically for training drivers, which is a perfect example of vestibule training.

This type of training helps employees become skilled before they enter real working conditions, which reduces risk and improves efficiency.

Example: Airlines use flight simulators to train pilots before allowing them to operate real aircraft.

(b) Advantages to Drivers:

(i) Reduced Operational Errors:

Through practice in a safe, controlled environment, drivers learn how to handle expensive and sophisticated vehicles correctly, thus minimizing wear and tear.

(ii) Builds Confidence and Enhances Safety:

When employees get hands-on experience in real-life scenarios, their confidence increases. Trained drivers are more cautious and effective in handling unexpected situations.

Final Answer:

(a) Vestibule Training

(b) Reduced operational errors, Increased confidence and performance

Quick Tip

If the training uses actual tools/equipment but is outside the real job location—it's Vestibule Training.

23. State any three points of importance of staffing function of management.

Correct Answer:

- Effective utilization of human resources
- Builds a strong workforce
- Helps in identifying and filling job roles

Solution:

Staffing is the managerial function of finding the right people for the right jobs. It involves recruitment, selection, training, development, and compensation. Here are three points of its importance:

1. Effective Utilization of Human Resources:

Staffing ensures that human talent is matched with job requirements. It avoids overstaffing (excess cost) and understaffing (performance delays).

Example: Hiring skilled workers for technical roles instead of deploying untrained individuals.

2. Builds a Strong Workforce:

Through structured training and development, employees become more efficient and capable of taking on future roles in the organization.

Example: Leadership development programs prepare employees for senior management roles.

3. Helps in Identifying and Filling Job Roles:

Staffing involves continuous monitoring of vacancies and placing the right people in the right positions promptly.

Example: HR departments in large firms maintain a pool of resumes to quickly fill urgent openings.

Final Answer:

- Effective utilization of human resources
- Builds a strong workforce
- Helps in identifying and filling job roles

Quick Tip

Staffing is like matchmaking—right person, right role, right time = high productivity.

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- 24.** (a) Identify and explain the concept of management discussed in the above para.
(b) Also, explain any one point of importance of the concept identified in (a) above.

Correct Answer:

- (a) Coordination
- (b) Growth and expansion

Solution:

(a) Concept of Management: Coordination

Coordination is the force that binds all the other functions of management. It is the process of aligning the efforts of different departments, units, or individuals toward a common objective. In the case of Cortico Fabrics, Ashish ensures unity of action by synchronizing the efforts of eight teams across multiple regions.

Coordination helps in integrating resources, eliminating duplication of effort, and resolving conflicts between departments.

Example: In multinational firms like Amazon, coordination among logistics, procurement, customer support, and IT teams is essential for order fulfillment.

(b) Importance: Growth and Expansion

As organizations grow, the need for coordination increases exponentially. Coordination allows businesses to handle larger operations across geographies, functions, and teams without chaos.

Example: When a firm opens new branches, smooth coordination ensures policies, practices, and goals are uniformly followed.

Final Answer:

- (a) Coordination
- (b) Growth and expansion

Quick Tip

When multiple departments or teams are mentioned with efforts to achieve common goals—think "Coordination."

25. A Business Process Outsourcing centre, 'Chromosome' which deals in conversion of voice reports dictated by physicians and other healthcare providers into text format has 40 employees. They ensure that their employees are well versed in at least one foreign language and one Indian language. The employees are also given the required training to ensure that

the reports are processed correctly as they are the backbone of the patients' medical history. On frequent complaints about some of its employees, it was observed that they were facing problems in decoding the message as they were not very proficient with the language in which the voice message was received. As a result, they would make mistakes causing different meaning to the message. Not only this, sometimes there were technical words used in voice reports, the actual meaning of which was also not understood by the employees. Due to this, 'Chromosome' was slowly losing its business to competitors. The above case highlights two communication barriers. Identify and explain these barriers.

Correct Answer:

- Semantic Barrier
- Linguistic Barrier

Solution:

The case highlights two important communication barriers in the organization 'Chromosome':

1. Semantic Barrier:

Semantic barriers arise due to problems in interpreting the meaning of words and symbols used in communication. In this case, the employees were unable to understand the technical words used in the voice reports. These technical jargons, without proper comprehension, lead to incorrect transcription and altered meaning. Medical terms are often complex and must be precisely understood to avoid serious misinterpretation.

Example: If an employee mishears or misunderstands a term like "angioplasty" and types it as "angiography," the entire meaning of the medical record changes.

2. Linguistic Barrier:

Linguistic barriers refer to difficulties that arise when the sender and the receiver are not proficient in the same language. Here, some employees were not fluent in the language in which the voice messages were recorded. This lack of language proficiency caused problems in decoding and correctly transcribing the messages.

Example: An employee unfamiliar with French medical dictation may struggle with pronunciation, leading to incorrect transcriptions.

These barriers resulted in frequent errors, misinterpretations, and ultimately affected the company's credibility, leading to business loss.

Final Answer:

- Semantic Barrier
- Linguistic Barrier

Quick Tip

When misinterpretation of words or language proficiency causes communication break-down, look for Semantic and Linguistic Barriers.

26. Inspired by the success of Chandrayaan-3, the Chief Scientist at ‘Space Rover’ a private research group, decided to send some innovative ideas regarding the mission to the Chief Scientist of Chandrayaan-3. The Chief Scientist at ‘Space Rover’ formed four groups for the same. As it was an intellectual activity of thinking rather than doing, these four groups started interacting with each other and friendships developed. On the basis of their interaction and friendship, some members from each group formed ‘Entertainment Through Reading’ group which showed conformity in terms of their interest. ‘Entertainment Through Reading’ group had no written rules, was unstable in form and scope and had no fixed lines of communication. The members of this group enhanced the morale of each other, enjoyed drinking coffee together, read books, served different issues of their work areas and provided support to each other. Ultimately this group developed some innovative ideas which were sent by ‘Space Rover’ to the Chief Scientist of Chandrayaan-3. Though this group was formed for recreation but it contributed towards fulfillment of organisational objectives.

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

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

Correct Answer:

- (a) Informal Organisation
- (b) (i) Promotes social and emotional bonding
 - (ii) Facilitates communication
 - (iii) Helps in fulfillment of organizational goals

Solution:

(a) Type of Organisation: Informal Organisation

An informal organisation is a network of personal and social relationships which are not established by the formal structure but arise spontaneously as people associate with each other. These relationships are based on common interests, friendships, or social interactions. In the case of ‘Space Rover,’ the ‘Entertainment Through Reading’ group formed naturally from social interactions among team members without formal authority or structure. This group had no written rules, no fixed communication lines, and was formed for recreational purposes. However, it contributed positively to the organisation by producing innovative ideas.

(b) Advantages of Informal Organisation:

(i) Promotes Social and Emotional Bonding:

Informal organisations help in developing friendships and emotional connections among employees. These bonds boost morale and foster a sense of belonging, leading to greater job satisfaction and mental well-being.

Example: Employees who enjoy working together are likely to collaborate more effectively and support each other in tough times.

(ii) Facilitates Communication:

Informal channels of communication, also known as grapevine, spread information faster than formal channels. This ensures that employees remain well-informed and rumors are quickly clarified.

Example: Critical updates can often reach all employees through informal discussions before any formal notice is issued.

(iii) Helps in Fulfillment of Organisational Goals:

Even though informal groups are not part of the official structure, they often contribute to achieving goals by providing ideas, supporting initiatives, and boosting employee engagement.

Example: The ‘Entertainment Through Reading’ group was recreational but ended up helping achieve the mission’s objectives.

Final Answer:

(a) Informal Organisation

(b) Promotes social and emotional bonding; Facilitates communication; Helps in fulfillment

of organisational goals

Quick Tip

When a group forms out of friendship or shared interest without formal authority—it's Informal Organisation.

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

OR

(b) Explain the following types of plans:

(i) Policy

(ii) Budget

Correct Answer:

(a) Characteristics:

1. Planning focuses on achieving objectives
2. Planning is a primary function of management
3. Planning is pervasive across all levels
4. Planning is futuristic in nature

OR

(b) Types of Plans:

(i) Policy: General guidelines for decision-making

(ii) Budget: Statement of expected results expressed in numerical terms

Solution:

(a) Characteristics of Planning:

1. Focuses on Achieving Objectives:

Planning begins with the determination of objectives. It lays down the means to achieve them and acts as a guide for action in future activities. All business plans are directed towards goals.

Example: A firm may plan to increase market share by 10% within one year.

2. Primary Function of Management:

Planning is the first function performed by every manager. All other functions like

organising, staffing, directing, and controlling follow planning. Without planning, no other function can be executed effectively.

3. Pervasive Function:

Planning is required at all levels of management and in all departments of the organisation. Top-level plans are strategic, middle-level plans are tactical, and lower-level plans are operational.

4. Futuristic:

Planning is forward-looking as it is done for the future. It involves forecasting and anticipating future events. Successful planning requires a vision of future scenarios.

OR

(b) Types of Plans:

(i) Policy:

A policy is a general guideline that helps in decision-making and sets the boundaries within which decisions can be made. Policies reflect the philosophy of the organisation and ensure consistency in managerial actions.

Example: A company policy to replace any defective product within 7 days.

(ii) Budget:

A budget is a plan that is expressed in numerical terms. It could be financial or related to labour hours, production units, etc. Budgets are used to allocate resources and act as benchmarks for evaluating performance.

Example: A marketing budget of Rs. 5 lakh for the quarter.

Final Answer:

(a) Characteristics: Focus on objectives, Primary function, Pervasive, Futuristic

(b) Types: Policy and Budget

Quick Tip

Planning lays the foundation for all managerial activities and prepares organisations for the future.

28. Differentiate between 'Selling Concept' and 'Production Concept' of marketing management philosophies on the basis of:

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

Correct Answer:

| Basis | Selling Concept | Production Concept |
|--------------|--|--|
| Meaning | Focuses on aggressive selling and promotional techniques to increase sales | Focuses on producing goods efficiently at low cost |
| Main Focus | Increase sales through persuasion | Mass production and distribution |
| Means | Heavy promotion and advertising | High production efficiency |
| Ends | Profits through volume of sales | Profits through low cost and availability |

Solution:

Marketing philosophies guide a company’s approach to the market. Here’s a comparison between two key concepts:

Selling Concept:

- Assumes consumers will not buy enough unless persuaded aggressively.
- Focuses on pushing products regardless of need.
- Examples: Insurance policies, encyclopedias sold through aggressive sales campaigns.

Production Concept:

- Assumes consumers prefer affordable and widely available products.
- Emphasises on mass production and economies of scale.
- Example: FMCGs like soap and toothpaste produced in bulk.

Final Answer: See table above for structured comparison.

Quick Tip

If it stresses cost efficiency — think Production. If it emphasizes sales pressure — think Selling Concept.

29. Kewalram started a sweets shop named ‘Karamati Sweets’ in 1950. The sweets were famous all over India for their good quality, and people would come from far and wide to purchase sweets from him. As he grew old, he could no longer run the shop. So, he sold the shop to one of his neighbours, Bholaram.

After a few months, in an attempt to increase revenue, Bholaram started engaging in unfair trade practices such as using adulterated khoya and paneer. He believed that no one would find out because ‘Karamati Sweets’ already had a good image in the eyes of the people.

However, soon people started falling sick after consuming sweets purchased from the shop, but they did not know where to go and to whom they should complain.

Raghav, a resident of the village who had recently completed his studies, was also a member of a non-governmental organisation called ‘Meri Voice’. He felt that the villagers should be made aware of their rights and the reliefs available to them. He took the initiative to create awareness about consumer rights among the villagers to protect their interests through a series of talks and presentations in the village.

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

(b) Also, identify and explain the consumer right violated by ‘Bholaram’ in the above case.

Correct Answer:

(a) Right to Consumer Education

(b) Right to Safety

Solution:

(a) Right to Consumer Education:

The right to consumer education empowers consumers to be informed about their rights, responsibilities, and remedies. It helps them make intelligent and informed decisions. In this case, Raghav, being an educated member of the NGO, took initiative to educate villagers about their rights and ways to seek redressal. This action reflects the importance of consumer education in preventing exploitation.

(b) Right to Safety:

This right protects consumers against products and services which are hazardous to health and life. ‘Bholaram’ compromised consumer safety by selling adulterated sweets, leading to people falling sick. This is a clear violation of the right to safety, as the consumers were

unknowingly exposed to unsafe food items.

Final Answer:

- (a) Right to Consumer Education
- (b) Right to Safety

Quick Tip

Consumer rights are tools to empower people and protect them from exploitation — know them well for case-based questions.

30. (a) Explain the following functions of marketing: (i) Gathering and Analysing Market Information (ii) Marketing Planning

Solution: (i) Gathering and Analysing Market Information: This function involves systematic collection and evaluation of data relevant to marketing. It includes customer preferences, competitors' strategies, market trends, pricing strategies, and overall demand conditions. Market information helps companies anticipate changes, identify opportunities, and respond quickly to challenges. By understanding market dynamics, firms can tailor their products and promotional strategies accordingly.

(ii) Marketing Planning: Marketing planning is the process of developing marketing goals and designing strategies to achieve them. It involves selecting the right product, price, place, and promotion mix. Effective planning enables firms to identify target markets, set sales objectives, and allocate resources efficiently. A well-structured marketing plan guides the organization's actions in a coordinated and goal-oriented manner.

OR

30. (b) State the four major components of physical distribution.

Solution: The four key components of physical distribution are:

(i) Order Processing: Involves the steps taken from receiving customer orders to delivery. Efficient order processing ensures customer satisfaction and smooth functioning of supply chains.

(ii) Transportation: Refers to the physical movement of goods from the manufacturer to the consumer. It plays a vital role in deciding the geographical reach and cost-effectiveness of

distribution.

(iii) Warehousing: Involves storage of goods until they are sold. Warehouses protect goods from damage and ensure regular supply.

(iv) Inventory Control: Deals with maintaining optimum stock levels to meet demand without overstocking. It minimizes costs and prevents delays in order fulfillment.

Quick Tip

Marketing functions like gathering information and planning help firms stay ahead in the market by understanding consumer preferences and preparing effective strategies for future demand.

31. (a) Explain the following points of significance of principles of management: (i) Providing managers with useful insights into reality (ii) Meeting changing environment requirements (iii) Scientific decisions

Solution: (i) Providing managers with useful insights into reality: Principles of management serve as a guide for decision-making and action. They are based on empirical observations and experiences. Managers are better equipped to analyze situations and predict outcomes, which enhances the quality of decisions.

(ii) Meeting changing environment requirements: In today's dynamic business environment, organizations must adapt quickly. Management principles provide a stable foundation yet are flexible enough to accommodate necessary changes. This helps businesses remain competitive.

(iii) Scientific decisions: Following tested and established principles leads to objective and rational decisions rather than gut-feeling-based ones. Scientific decision-making reduces risks and enhances organizational effectiveness.

OR

31. (b) Explain the following principles of management: (i) Unity of direction (ii) Remuneration to employees (iii) Equity

Solution: (i) Unity of direction: This principle states that all efforts of the organization must be directed toward a common goal. Activities with the same objective should have one

head and one plan to ensure coordination.

(ii) Remuneration to employees: Remuneration should be fair and satisfactory to both employees and employers. It should reflect efforts and contributions while aligning with industry standards. Fair wages motivate employees and promote harmony.

(iii) Equity: This principle emphasizes kindness, fairness, and justice in dealing with employees. Equity leads to a satisfied workforce and strengthens trust and commitment.

Quick Tip

The principles of management are universal guidelines that help managers take sound decisions, meet environmental challenges, and ensure organizational effectiveness and discipline.

32. (a) Explain the following factors affecting the working capital requirements of a business: (i) Credit allowed (ii) Production cycle (iii) Availability of raw material

Solution: (i) Credit allowed: The more credit a company extends to its customers, the higher its working capital requirement. A liberal credit policy ties up funds in accounts receivables.

(ii) Production cycle: It is the time taken to convert raw material into finished goods. A longer production cycle requires more working capital to finance raw materials, labor, and other overheads.

(iii) Availability of raw material: If raw materials are available easily and quickly, businesses can maintain low inventory, thereby reducing working capital needs. Conversely, seasonal or irregular supply demands high stock levels and higher working capital.

OR

32. (b) Explain the following factors affecting the dividend decision of a company: (i) Growth opportunities (ii) Cash flow position (iii) Shareholders' preference

Solution: (i) Growth opportunities: If a company has profitable investment opportunities, it may retain earnings to fund expansion instead of paying dividends. Firms with high growth prospects usually offer lower dividends.

(ii) Cash flow position: Even if profits are high, a poor cash flow may restrict the company's

ability to pay dividends. Dividend payment depends on liquidity, not just profitability.

(iii) Shareholders' preference: If shareholders prefer regular income, companies may be inclined to distribute a higher dividend. In case shareholders favor capital appreciation, lower dividends may be declared with higher retained earnings.

Quick Tip

Working capital and dividend decisions are crucial to maintain liquidity and shareholder trust. Short cycles, raw material access, and stable cash flows keep the business running smoothly.

33. (a) Identify and explain the function of management discussed in the above para. (b) Explain any four points of importance of the function identified in (a).

(a) Function of Management: Organising The G20 Summit preparation required grouping and coordinating various tasks such as hospitality, security, and infrastructure. This involved defining roles, assigning duties, and establishing relationships — all key elements of the organizing function.

(b) Importance of Organising:

- **Benefits of specialization:** Dividing work among departments and individuals leads to specialization, increasing efficiency and productivity.
- **Clarity in working relationships:** Establishes clear reporting relationships and authority-responsibility structure.
- **Optimum utilization of resources:** Ensures resources are used effectively without duplication or wastage.
- **Adaptability to change:** A well-organized structure helps in responding to changes efficiently.

Quick Tip

Organizing as a function of management involves defining roles, responsibilities, and hierarchies to ensure smooth coordination and efficient execution of tasks.

34. (a) Identify the function of management. Quoting the lines from the above para, explain the steps of the process of the function of management discussed. (b) Also explain any two points of importance of the function of management identified in (a).

(a) Function of Management: Staffing Lines: “Nitin ordered for repair of the machines and asked the Project Head to appoint additional workers...” This highlights the steps of staffing: identifying manpower requirements, recruitment, and selection.

Steps in Staffing:

- **Estimating manpower requirements:** The investigation revealed a shortage of workers and non-functioning machines.
- **Recruitment and selection:** Nitin ordered the hiring of additional workers and repairs of machines to meet deadlines.

(b) Importance of Staffing:

- **Helps in discovering competent personnel:** Staffing ensures that only the right talent is recruited based on skills and experience.
- **Ensures optimum utilization of manpower:** By appointing the right number and type of employees, overstaffing and understaffing are avoided.

Quick Tip

Controlling ensures timely achievement of goals by setting standards, comparing actual performance, and taking corrective actions—vital for staying on schedule and ensuring quality.