

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

Time Allowed :3 Hours

Maximum Marks :80

Total Questions :33

General Instructions

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

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

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

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 Together, they developed action plans to address the company’s challenges regarding outdated designs and inefficient production processes etc.

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

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

Correct Answer: (B) Democratic leadership style

Solution:

Step 1: Understanding Leadership Styles.

Leadership style refers to the manner in which a manager influences, guides, and directs the behavior of employees. Three common styles include: - *Autocratic*: The leader makes decisions alone, and employees have little or no input. - *Democratic*: The leader involves team members in decision-making. - *Free-rein*: The leader gives employees complete freedom to make decisions.

Step 2: Ravi Kumar’s Approach.

Initially, the company had an autocratic style—employees followed orders without being involved in decisions, leading to poor morale. Ravi Kumar changed this by encouraging dialogue, promoting teamwork, and involving employees in developing action plans. This participative and empowering method directly reflects the democratic leadership style.

Step 3: Outcome of the Style.

The democratic style led to increased morale, innovation, and productivity, ultimately

transforming the company into a profit-making enterprise.

Conclusion: Ravi Kumar adopted a democratic leadership style, characterized by employee participation, mutual respect, and shared decision-making.

Quick Tip

Democratic leaders promote collaboration and innovation by encouraging active employee involvement in decision-making.

2. Which of the following is an element of ‘Social Environment’?

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

Correct Answer: (B) Expectations from the workforce

Solution:

Step 1: Understanding Business Environment Components.

The business environment comprises various forces, including economic, political, legal, technological, and social environments. The social environment includes societal values, customs, traditions, lifestyle, education level, and the expectations of the people.

Step 2: Social Environment Elements.

Social environment influences consumer behavior and workplace culture. Expectations from the workforce include: - Work-life balance - Job security - Respect for diversity -

Opportunities for growth

These expectations shape organizational policies and practices.

Step 3: Analyzing the Options.

- Option (A) and (D) are related to the economic environment.
- Option (C) concerns the political/legal/international environment.
- Option (B), i.e., “Expectations from the workforce,” is rooted in the social framework and directly impacts employee-employer relationships.

Conclusion: Expectations from the workforce form a part of the social environment as they

reflect societal norms and employee behavior.

Quick Tip

Workforce expectations like flexible hours and inclusive culture are vital components of a company's social environment.

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

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

Choose the correct option from the following:

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

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

Solution:

Step 1: Understanding Delegation.

Delegation involves the transfer of responsibility and authority from a manager to a subordinate. However, accountability remains with the person who delegates. This means while subordinates perform the task, the manager is still answerable for the outcome.

Step 2: Evaluating Statement I.

Statement I defines delegation accurately—it involves assigning responsibility and giving authority to carry out tasks, while also ensuring accountability is set.

Step 3: Evaluating Statement II.

Even if a manager delegates authority, they are still accountable for the results. The extent of accountability does not reduce because the responsibility to ensure completion still lies with the manager.

Conclusion: Both statements accurately reflect the principles of delegation and accountability.

Quick Tip

Delegating authority doesn't mean escaping responsibility—managers stay accountable even when tasks are assigned to others.

4. ____ refers to doing the task correctly and with minimum cost.

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

Correct Answer: (D) Efficiency

Solution:

Step 1: Defining Key Terms.

- *Effectiveness* is about achieving goals, regardless of the cost.
- *Efficiency* means doing things right with minimum use of resources—time, money, and effort.

Step 2: Analyzing the Requirement.

The question asks about completing tasks correctly and with minimum cost, which directly aligns with efficiency. Effectiveness is output-oriented, while efficiency is input-oriented.

Step 3: Clarifying with Example.

If a company manufactures 1000 units with less manpower and waste while maintaining quality, it is being efficient. On the other hand, producing 1000 units (goal achieved) with high cost would be effective but not efficient.

Conclusion: Efficiency is about doing the job right, using the least resources possible.

Quick Tip

Effectiveness is doing the right thing; efficiency is doing it right—with minimum cost and maximum resource optimization.

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

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

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

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

Correct Answer: (D) Access to capital market

Solution:

Step 1: Understanding Dividend Decisions.

Dividend decisions refer to how much profit is to be distributed to shareholders versus how much to retain. One of the influencing factors is the company's ability to raise capital from the market.

Step 2: Linking Access to Capital Market.

Since Dovex had strong market credibility and investor trust, it could easily access funds for future projects through the capital market. This meant it did not need to retain a large portion of profits, allowing more profit to be distributed as dividends.

Step 3: Eliminating Incorrect Options.

- Option (A) relates to cash availability, which wasn't emphasized.
- Option (B) is about reactions to dividends, not their cause.
- Option (C) involves legal limitations, which weren't a constraint.

Hence, only (D) fits the context.

Conclusion: Easy access to capital markets enabled Dovex to maintain high dividends without compromising future expansion.

Quick Tip

Firms with strong market access can afford to distribute higher dividends as they rely on external funding for future growth.

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

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

Correct Answer: (C) Development

Solution:

Step 1: Understanding the Process.

Employee development is a long-term, career-oriented process focused on the overall growth of the individual. It goes beyond just improving skills for the current job—it prepares employees for future roles and leadership.

Step 2: Difference Between Training and Development.

- *Training* is short-term and job-specific.
- *Development* is long-term and focuses on broad capabilities like leadership, decision-making, and career progression.

Step 3: Contextual Match.

The question emphasizes “maturity” and “actualization of potential,” which aligns with development, not just immediate skill training or staffing/selection processes.

Conclusion: The process being described is development, as it supports long-term personal and professional growth.

Quick Tip

Training is for today’s job; development is for tomorrow’s role—focused on grooming future leaders.

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

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

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

Solution:

Step 1: Understanding the scenario.

'SK Builders' recognized and implemented AI technologies before its competitors, giving them a strategic edge in the industry.

Step 2: Connecting to concept.

This action reflects the firm's ability to recognize emerging trends and leverage them before others — a classic example of "first mover advantage."

Conclusion: This directly relates to the importance of business environment in identifying opportunities and capitalizing on them early.

Quick Tip

First movers enjoy competitive edge through early adoption of innovations.

8. In the _____ market, prices are determined and decided by the management of the company.

- (A) Primary
- (B) Secondary
- (C) Money
- (D) Stock

Correct Answer: (A) Primary

Solution:

Step 1: Definition.

The primary market is where new securities are issued for the first time. The issuing company decides the price of the securities in consultation with underwriters.

Step 2: Managerial control.

Since it's the company that issues securities directly to investors, it controls pricing and terms.

Conclusion: Therefore, it is the primary market where prices are determined by the issuing company's management.

Quick Tip

Primary market = new issues; Secondary market = resale of existing securities.

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

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

Correct Answer: (B) Financial planning

Solution:

Step 1: Definition.

Financial planning involves determining both short-term and long-term financial requirements of a business and deciding on the sources for funding those needs.

Step 2: Key aspects.

It includes forecasting the amount of capital required and identifying where and how it will be obtained (equity, debt, etc.).

Conclusion: This aligns perfectly with financial planning, making it the correct term.

Quick Tip

Financial planning = Fund estimation + Source identification.

10. Statement I: A financial market facilitates the transfer of savings from savers to investors.

Statement II: It gives savers the choice of different investments and helps to channelise surplus funds into the most productive use.

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

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

Solution:

Step 1: Understanding Statement I.

Financial markets act as intermediaries that mobilize savings and direct them towards productive investment, confirming Statement I.

Step 2: Understanding Statement II.

Financial markets offer a variety of instruments — shares, bonds, debentures — giving savers the ability to choose investments based on risk-return profile.

Conclusion: Both statements are fundamental roles of a financial market.

Quick Tip

Financial markets link surplus with deficit units, offering both access and choice.

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

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

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

Solution:

Step 1: Understanding stock exchanges.

Stock exchanges facilitate the buying and selling of already issued (existing) securities, not new securities.

Step 2: New securities go to the primary market.

Liquidity for new issues is not the role of a stock exchange but of the primary market.

Conclusion: Thus, Option A is incorrect because stock exchanges don't deal with new securities.

Quick Tip

Primary market = new securities; Stock exchange = existing securities.

12. Online retailer 'Bizen'... These departments are further divided into sections and all departmental heads report to Mohit... The type of organizational structure of 'Bizen' is:

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

Correct Answer: (C) Functional organisational structure

Solution:

Step 1: Understanding the structure.

In 'Bizen', jobs of similar nature are grouped under common departments (e.g., HR, Marketing, Purchase). This is the hallmark of a functional structure.

Step 2: Hierarchical control.

The MD coordinates all departments, ensuring specialisation and reducing duplication — key traits of a functional setup.

Conclusion: 'Bizen' has a classic functional structure.

Quick Tip

Functional structure = jobs grouped by functions (e.g., HR, Finance, Marketing).

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

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

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

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

Solution:

Step 1: Matching terms.

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

Step 2: Apply logically.

Each definition fits precisely with the correct HR term.

Quick Tip

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

14. Plans are prepared for a specific period of time, may be for a month, a quarter or a year.

At the end of that period, there is a need for a new plan to be drawn on the basis of new requirements and future conditions. The feature of planning reflected in the above lines is :

- (A) Planning is futuristic
- (B) Planning is continuous
- (C) Planning is pervasive

(D) Planning is a mental exercise

Correct Answer: (B) Planning is continuous

Solution:

Step 1: Understanding the question.

The question describes a scenario where plans are made for a specific period, and once that period ends, new plans are created based on updated requirements and future conditions.

This indicates that planning is an ongoing process rather than a one-time activity.

Step 2: Analyzing the options.

- **Option A (Planning is futuristic):** While planning does involve looking ahead, this option focuses on the forward-looking nature of planning, not the recurring aspect mentioned in the question.

- **Option B (Planning is continuous):** This aligns perfectly with the idea that planning is an ongoing process, as new plans are repeatedly created after the old ones expire.

- **Option C (Planning is pervasive):** This refers to planning being required at all levels of an organization, which is irrelevant to the given scenario.

- **Option D (Planning is a mental exercise):** This highlights the intellectual nature of planning but does not address the recurring aspect described in the question.

Step 3: Conclusion.

The feature being described is the continuous nature of planning, as it emphasizes the need for new plans to replace old ones periodically.

Quick Tip

Continuous planning means it is an ongoing process, not a one-time activity. Futuristic planning focuses on anticipating the future, while pervasive planning refers to its applicability across all levels.

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

(A) Marketing concept

(B) Selling concept

(C) Product concept

(D) Production concept

Correct Answer: (D) Production concept

Solution:

Step 1: Understanding the question.

The question asks about the marketing philosophy that prioritizes making products widely available and affordable to achieve business objectives.

Step 2: Analyzing the options.

- **Option A (Marketing concept):** This philosophy focuses on identifying and meeting customer needs better than competitors, not specifically on availability or affordability.
- **Option B (Selling concept):** This emphasizes aggressive selling and promotion, assuming customers won't buy enough without persuasion.
- **Option C (Product concept):** This centers on product quality and innovation, assuming customers prefer products with superior features.
- **Option D (Production concept):** This philosophy is based on the idea that customers favor products that are widely available and affordable, achieved through mass production and efficiency.

Step 3: Conclusion.

The production concept is the correct answer, as it aligns with the focus on availability and affordability.

Quick Tip

The production concept is one of the oldest marketing philosophies, emphasizing efficiency and mass production to make products accessible and affordable.

16. Identify the tool of promotion used by 'Mehta Sons Garments' to boost its sales :



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

Correct Answer: (C) Sales promotion

Solution:

Step 1: Understanding the question.

The question asks to identify the promotional tool used by Mehta Sons Garments, as shown in the provided advertisement offering a 50% discount for a limited time.

Step 2: Analyzing the options.

- **Option A (Advertising):** Advertising involves paid, non-personal communication through mass media, but the given scenario focuses on a short-term discount, which is not typical of general advertising.
- **Option B (Personal selling):** This involves direct interaction with potential customers, which is not the case here.
- **Option C (Sales promotion):** This includes short-term incentives like discounts, offers, or contests to boost sales, which matches the given scenario perfectly.
- **Option D (Public relations):** PR focuses on building a positive image and long-term relationships, not short-term sales boosts.

Step 3: Conclusion.

The tool used is sales promotion, as the advertisement highlights a limited-time discount to encourage immediate purchases.

Quick Tip

Sales promotion includes tactics like discounts, coupons, and limited-time offers to stimulate quick sales. Advertising is broader and more about brand awareness.

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

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

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

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

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

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

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

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

Solution:

Step 1: Understanding the Assertion and Reason.

Assertion (A) states that many businesses have established consumer service and grievance cells. Reason (R) states that consumers have the right to complain and be heard when dissatisfied.

Step 2: Evaluating the statements.

- **Assertion (A)** is true, as businesses increasingly recognize the importance of addressing consumer grievances to maintain trust and loyalty.

- **Reason (R)** is also true, as consumer protection laws grant consumers the right to voice complaints and seek redressal.

- The Reason explains why businesses set up grievance cells: to comply with consumer rights and ensure satisfaction.

Step 3: Conclusion.

Both statements are true, and Reason (R) correctly explains Assertion (A).

Quick Tip

Consumer grievance cells are a proactive measure by businesses to uphold consumer rights and build trust, aligning with legal and ethical standards.

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

- (A) Inventory control
- (B) Standardisation and grading
- (C) Order processing
- (D) Transportation

Correct Answer: (B) Standardisation and grading

Solution:

Step 1: Understanding physical distribution.

Physical distribution involves the movement of goods from producers to consumers and includes activities like transportation, inventory management, and order processing.

Step 2: Analyzing the options.

- **Option A (Inventory control):** This is a key part of physical distribution, ensuring optimal stock levels.
- **Option B (Standardisation and grading):** These are part of product planning and quality control, not physical distribution.
- **Option C (Order processing):** This is essential for fulfilling customer orders efficiently.
- **Option D (Transportation):** This is a core component of physical distribution, involving the movement of goods.

Step 3: Conclusion.

Standardisation and grading are unrelated to the logistics of physical distribution, making Option B the correct answer.

Quick Tip

Physical distribution focuses on logistics (transportation, inventory, etc.), while standardisation and grading are pre-production or production-stage activities.

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

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

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

Correct Answer: (C) Sales promotion

Solution:

Step 1: Understanding the scenario.

Beenu's daughter used competitions, prizes, and media channels to attract customers and revive the bookstore.

Step 2: Analyzing the options.

- **Option A (Advertising):** While media channels were used, the focus was on competitions and prizes, not just brand messaging.
- **Option B (Personal selling):** There is no mention of direct interaction with customers.
- **Option C (Sales promotion):** The use of competitions and prizes fits this category, as it aims to stimulate immediate interest and sales.
- **Option D (Public relations):** PR would focus on building a long-term image, not

short-term sales boosts.

Step 3: Conclusion.

The tool used was sales promotion, as it involved incentives (prizes) and short-term activities (competitions) to attract customers.

Quick Tip

Sales promotion includes contests, discounts, or giveaways to drive immediate sales, while advertising focuses on brand messaging and PR on long-term reputation.

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

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

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

Correct Answer: (C) Strategy

Solution:

Step 1: Understanding the scenario.

The case describes a long-term plan based on market research, aimed at making 'Best Electronics' the market leader through innovation and customer focus.

Step 2: Analyzing the options.

- **Option A (Policy):** Policies are general guidelines for decision-making, not detailed plans for market leadership.
- **Option B (Rule):** Rules are specific regulations, not broad plans.
- **Option C (Strategy):** A strategy is a comprehensive plan designed to achieve long-term goals, such as market leadership, through competitive advantage.
- **Option D (Procedure):** Procedures are step-by-step instructions for routine tasks, not visionary plans.

Step 3: Conclusion.

The plan described is a strategy, as it outlines the company's long-term direction and competitive approach.

Quick Tip

Strategies are broad, long-term plans to achieve significant objectives like market leadership, while policies and procedures are more operational.

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

Correct Answer: 1. **Dynamic nature:** The business environment constantly changes due to economic, social, and technological factors.

2. **Complexity:** It consists of multiple interrelated factors (e.g., legal, political, economic) that influence business operations.

3. **Uncertainty:** Future conditions are unpredictable, requiring businesses to adapt proactively.

Solution:

Step 1: Define business environment.

The business environment encompasses all external and internal factors affecting a company's operations and decision-making.

Step 2: Explain key features.

- **Dynamic nature:** Rapid changes in technology, consumer preferences, and regulations force businesses to stay agile.

- **Complexity:** Factors like globalization and regulatory compliance add layers of intricacy.

- **Uncertainty:** Events like pandemics or policy shifts create unpredictability, necessitating contingency planning.

Step 3: Provide examples.

For instance, a sudden tax law change (dynamic), navigating international trade rules (complexity), or fluctuating demand during a crisis (uncertainty).

Quick Tip

The business environment is like weather—constantly changing (dynamic), influenced by many factors (complex), and hard to predict (uncertain).

21. (b) State any three features of ‘Demonetization’.

Correct Answer: 1. **Withdrawal of legal tender status:** Existing currency notes are invalidated.

2. **Introduction of new currency:** New notes replace old ones to curb illicit activities.

3. **Short-term economic disruption:** Cash shortages impact daily transactions and sectors reliant on cash.

Solution:

Step 1: Define demonetization.

Demonetization is the process of stripping a currency unit of its legal tender status, often to combat corruption or black money.

Step 2: Explain key features.

- **Withdrawal:** Old notes (e.g., India’s 500/1000 in 2016) become unusable overnight.

- **New currency:** Newly designed notes with enhanced security features are issued.

- **Disruption:** Immediate cash crunches affect small businesses and rural areas disproportionately.

Step 3: Provide context.

For example, India’s 2016 demonetization aimed to reduce counterfeit currency but temporarily slowed GDP growth.

Quick Tip

Demonetization is a radical economic measure—like resetting a game’s currency system—with mixed short-term pain and long-term goals.

22. Kanav, after passing out of college with specialization in renewable energy, was determined to start a solar power plant. The venture required heavy investment in plant and machinery and less on manual labour. Kanav invested in the latest solar panel technology and infrastructure and purchased the latest solar panels, inverters and battery storage systems. Despite the high risk and substantial investment, Kanav’s business had good expansion possibilities. The world was increasingly moving towards clean energy solutions, and there was a growing demand for sustainable power sources. So, Kanav decided to create a higher capacity to meet the anticipated demand quickly. This entailed further investment in fixed assets which Kanav was able to arrange.

As the years passed, the solar power plant did very well and played a pivotal role in the city’s transition towards a greener and more sustainable future.

Identify and explain the two factors affecting the fixed capital requirements discussed in the above case.

Correct Answer: 1. **Nature of business:** Solar energy is capital-intensive, requiring heavy investment in technology and infrastructure.

2. **Growth prospects:** Anticipated demand for clean energy justified additional fixed capital for expansion.

Solution:

Step 1: Identify fixed capital factors.

Fixed capital refers to long-term investments in assets like machinery and infrastructure.

Step 2: Link to the case.

- **Nature of business:** Renewable energy projects require high upfront costs for solar panels and storage systems.

- **Growth prospects:** Rising global demand for sustainability encouraged Kanav to scale up capacity proactively.

Step 3: Contrast with other factors.

Unlike labor-intensive businesses (e.g., textiles), solar plants rely more on technology (fixed capital) than human resources.

Quick Tip

Fixed capital depends on the industry—factories need machines (high), while consultancies need laptops (low). Growth potential also drives investment.

23. A renowned car company named ‘BB Motors’ was known for producing high performance cars. They were committed to ensure that its employees had the skills and knowledge to build these innovative high-performance cars. To achieve this, they implemented a unique approach for training. The company transformed a section of its factory into what they called the ‘Learning Floor’. Actual work environment was created by allotting a specialized space. The space was equipped with a range of car components, tools and sophisticated car equipment identical to those used on the factory floor, where the company’s employees would undergo their training.

Identify and explain the method of training used by ‘BB Motors’ to ensure that its employees had the skills and knowledge to build innovative high-performance cars.

Correct Answer: Vestibule Training

Solution:

Step 1: Define the method.

Vestibule training simulates real work conditions in a separate space to provide hands-on practice without disrupting actual production.

Step 2: Match to the case.

- BB Motors created a replica of the factory floor (“Learning Floor”) with identical tools and components.

- Employees trained in this controlled environment, mimicking real tasks (e.g., assembling high-performance cars).

Step 3: Compare with other methods.

Unlike apprenticeships (long-term) or lectures (theoretical), vestibule training offers immediate, practical skill-building.

Quick Tip

Vestibule training = "practice room" for employees. It's like flight simulators for pilots—realistic but risk-free.

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

Correct Answer: 1. **Investor protection:** SEBI safeguards investors from fraudulent practices like insider trading.

2. **Regulation of intermediaries:** It licenses and monitors brokers, mutual funds, etc., to ensure compliance.

3. **Transparency enforcement:** Mandates disclosure of financial information by companies to prevent market manipulation.

Solution:

Step 1: Define SEBI.

SEBI is India's capital market regulator, ensuring fair and efficient financial markets.

Step 2: Explain protective functions.

- **Investor protection:** SEBI penalizes entities exploiting retail investors (e.g., Ponzi schemes).

- **Intermediaries:** Regular audits of stockbrokers maintain market integrity.

- **Transparency:** Rules like quarterly reporting reduce information asymmetry.

Step 3: Provide examples.

For instance, SEBI's actions against Satyam (2009) upheld investor trust post-scandal.

Quick Tip

SEBI is the "watchdog" of Indian markets—shielding investors, policing brokers, and ensuring clean corporate disclosures.

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

Correct Answer: 1. **Purpose:** Money market funds short-term liquidity (1 year); capital market facilitates long-term financing (stocks/bonds).

2. **Instruments:** Money market uses T-bills, commercial paper; capital market trades

equities, debentures.

3. **Risk:** Money market is low-risk (government-backed); capital market carries higher risk (market volatility).

Solution:

Step 1: Define both markets.

- Money market: Deals with short-term borrowing/lending.
- Capital market: Handles long-term investments.

Step 2: Contrast key aspects.

- **Purpose:** Businesses use money markets for working capital; capital markets for expansion.
- **Instruments:** Compare T-bills (money market) to IPOs (capital market).
- **Risk:** Money market instruments are safer but offer lower returns.

Step 3: Illustrate with examples.

For example, a company may issue commercial paper (money market) for payroll, and bonds (capital market) for a new factory.

Quick Tip

Money market = "short-term parking"; capital market = "long-term growth engine".
Think overnight loans vs. stock investments.

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

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

Solution: 1. Preliminary Screening – Initial evaluation of applications was done to check

qualifications, experience, and suitability. 21 candidates were shortlisted.

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

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

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

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

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

Quick Tip

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

26. (a) State any four characteristics of management. 4

OR

(b) State any four functions performed by Top Level Management.

Correct Answer: (a) Four characteristics of management are:

Solution: 1. Goal-Oriented Process – Management aims at achieving organizational goals efficiently.

2. Pervasive – Present in all levels and departments of an organization.

3. Multidimensional – Involves managing work, people, and operations.

4. Continuous Process – It is an ongoing process of planning, organizing, directing, and controlling.

Final Answer: Goal-oriented, Pervasive, Multidimensional, Continuous.

Quick Tip

Always mention specific traits like goal-orientation and continuity to explain characteristics of management.

27. Differentiate between ‘Delegation’ and ‘Decentralisation’ on any four bases.

Correct Answer: The key differences between Delegation and Decentralisation are:

Solution:

Basis	Delegation	Decentralisation
Nature	It is a process of entrusting responsibility	It is a result of policy decision to distribute authority
Scope	Narrow	Wide
Freedom	Less autonomy to subordinates	Greater autonomy to lower levels
Level	Happens between manager and subordinate	Systematic delegation across all levels

Final Answer: Delegation is narrower and between individuals, while decentralisation is broader and structural.

Quick Tip

Remember: All decentralisation includes delegation, but all delegation is not decentralisation.

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

- (i) Operating efficiency
- (ii) Credit availed

OR

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

- (i) Flexibility
- (ii) Cost of equity

Correct Answer: (a) Effect of operating efficiency and credit availed on working capital:

Solution: (i) Operating Efficiency: Higher efficiency reduces cost and speeds up production and sales cycles, thereby reducing the need for working capital.

(ii) Credit Availed: If more credit is available from suppliers, lesser funds are needed to maintain inventory and payables, reducing the working capital requirement.

OR

(b) (i) Flexibility: Flexible capital structure allows the company to adapt to market changes and expand or contract financing easily.

(ii) Cost of Equity: Higher cost of equity increases overall cost of capital, hence a company may opt for cheaper debt, affecting capital structure.

Final Answer: Both working capital and capital structure are influenced by internal efficiency and cost factors.

Quick Tip

Efficient operations and supplier credit reduce working capital. Flexibility and cost are vital in capital decisions.

29. Piyush is the Production Manager of a shoe company 'Comforty'. He has 1000 workers under him. He took a special order for 300 pairs with a cost and profit margin. But cost escalated. After review, it was found only 800 workers were needed. Identify and explain the function of management highlighted.

(i) Identify the function of management discussed above.

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

Correct Answer: (i) The function of management is Staffing.

Solution: Staffing involves recruiting, selecting, training and placing the right people at the right jobs.

(ii) Importance of Staffing:

1. Efficient Utilization of Human Resources: Avoids overstaffing and reduces cost.

2. Improves Performance: Right people improve productivity and efficiency.

3. Growth of Enterprise: Proper staffing supports future expansion and stability.

Final Answer: (i) Staffing, (ii) Efficient use of resources, performance boost, enterprise growth.

Quick Tip

Staffing ensures right manpower, reducing wasteful expenditure and ensuring optimal productivity.

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

(i) Which grievance redressal agency had Anuj approached?

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

Correct Answer: (i) State Consumer Disputes Redressal Commission (State Commission).

Solution: (i) The case clearly indicates that Anuj paid 2 crore to the developer, which falls in the monetary jurisdiction of the **State Consumer Disputes Redressal Commission**, also known as the State Commission. Under the Consumer Protection Act, 2019, this agency handles cases where the value of goods or services paid as consideration is more than 1 crore but does not exceed 10 crore. Since the developer failed to provide the promised service (delivery of the house), Anuj rightfully filed a case under the consumer protection mechanism at the appropriate level.

(ii) If the State Commission finds merit in Anuj’s complaint, it may grant the following three reliefs:

1. Refund of the Paid Amount with Interest:

The court can direct ‘SS Developers’ to return the entire amount of 2 crore that was paid in advance. Additionally, interest may be levied on the amount from the date of payment till the date of refund. This ensures Anuj is not financially harmed due to the developer’s default.

2. Compensation for Mental Agony and Physical Inconvenience:

Due to the delay, false promises, lack of response, and non-delivery of the house, Anuj would have experienced stress, inconvenience, and financial strain. The court may grant additional monetary compensation for the harassment and mental agony suffered.

3. Payment of Litigation Costs or Imposing Penalty:

The court may order the developer to pay for Anuj’s legal and court-related expenses. This ensures that Anuj is not burdened with financial loss for seeking justice. Additionally, the

court can penalize the developer for deficiency in service and unfair trade practices to deter future misconduct.

Final Answer: (i) State Commission, (ii) Refund with interest, compensation for harassment, and reimbursement of litigation cost.

Quick Tip

Always approach the correct redressal agency based on the value of compensation claimed. In this case, 2 crore falls under the jurisdiction of the State Commission.

31. (a) Explain the following techniques of Scientific Management:

(i) Time study

(ii) Differential piece wage system

(iii) Motion study

Correct Answer: (i) Time study

(ii) Differential piece wage system

(iii) Motion study

Solution: (i) **Time Study:** Time study is a technique that determines the standard time required to perform a well-defined task. It involves analyzing each operation to determine the most efficient time needed under standard working conditions. By setting a time benchmark, it helps in planning and scheduling work, deciding wage rates, and improving productivity. For example, if making one unit of a product ideally takes 30 minutes, then a worker is expected to complete 16 such units in an 8-hour shift. It reduces idle time, ensures consistency in performance, and boosts overall efficiency.

(ii) **Differential Piece Wage System:** This technique rewards efficiency by offering different wage rates for efficient and inefficient workers. Those who meet or exceed the standard output are paid at a higher rate per unit, while those below standard receive a lower rate. This motivates workers to improve their performance and reach targets. For example, a worker producing above the standard output of 100 units/day may receive 10/unit, whereas another who produces less may get only 7/unit. It links performance to reward, which not only increases productivity but also encourages healthy competition among workers.

(iii) **Motion Study:** Motion study involves the close observation of all movements—both necessary and unnecessary—while performing a job. The aim is to eliminate unproductive and repetitive movements to save time and energy. It results in designing the most effective and efficient way of doing work. For instance, in a production line, if a worker takes extra steps to pick tools, rearranging the workstation to minimize movement can improve efficiency. It leads to better task performance, reduces fatigue, and promotes ergonomic working conditions.

Final Answer: Time study – standard time setting, Differential wage – motivates efficiency, Motion study – eliminates unnecessary movements.

Quick Tip

Scientific management techniques aim at maximizing output and minimizing cost by using work-study methods like time and motion studies.

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

- (i) General guidelines
- (ii) Mainly behavioural
- (iii) Formed by practice and experimentation

Correct Answer: (i) General guidelines

- (ii) Mainly behavioural
- (iii) Formed by practice and experimentation

Solution: (i) **General Guidelines:** Principles of management provide broad and flexible guidelines to managers rather than rigid rules. These principles help managers make decisions and solve problems in varied business situations. Since every business environment is unique, these guidelines need to be interpreted and applied based on the context. For example, the principle of division of work suggests specialization, but how it's applied depends on the organization's size and nature of work.

(ii) **Mainly Behavioural:** Management principles are concerned with human behavior in organizations. They guide the interaction between employers and employees, and among team members. These principles aim to improve interpersonal relations and motivate

employees toward better performance. For instance, Fayol's principle of equity emphasizes fairness in treatment of employees, which leads to a more motivated and loyal workforce.

(iii) **Formed by Practice and Experimentation:** Management principles are not theoretical constructs; they have evolved over time through observation, real-life experiences, trial-and-error methods, and experimental learning. These principles are the outcomes of continuous practice and adaptation in various organizations. Famous management thinkers like Henri Fayol and Frederick Taylor derived these principles by studying successful managerial practices and workplace dynamics.

Final Answer: General guidelines – not rigid, Behavioural – people-oriented, Practice-based – developed over time.

Quick Tip

Management principles are flexible and based on human behavior and practical experience, making them applicable across various situations.

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

sustainable eco-friendly footwear. Quoting lines from the paragraph, identify and explain two benefits and two limitations of 'Planning' function of management discussed in the above case.

Correct Answer: Benefits: 1. Planning provides direction.

2. Planning helps in anticipating changes.

Limitations: 1. Planning reduces flexibility.

2. Planning may not work in a dynamic environment.

Solution: Benefits of Planning:

1. **Planning provides direction:** Quoting from the case: "He ensured that the goals and objectives of the company are clearly stated so that they act as a guide for deciding what action should be taken and in which direction." This shows how planning helps the company stay focused and aligned with its objectives. It guides employees by clearly laying down the organizational goals and steps to achieve them. It ensures that everyone is working in the same direction with clarity and coordination.

2. **Planning helps in anticipating changes:** Quoting from the case: "This analysis enabled the company to look ahead and anticipate changes and develop managerial responses, wherever necessary." Planning enables forecasting of future trends, allowing companies to adapt in advance. It prepares managers to anticipate and react to market changes proactively, thus avoiding surprises and enabling strategic action.

Limitations of Planning:

1. **Planning reduces flexibility:** Quoting from the case: "The managers of 'Stepone Footwear' did not have the flexibility to change the plan to cope with the changed circumstances." Once plans are made, they may become rigid, preventing timely adjustments. Employees may follow a fixed plan even when conditions demand change, leading to inefficiencies.

2. **Planning may not work in a dynamic environment:** Quoting from the case: "'Eco Step' quickly adapted and started manufacturing comfortable eco-friendly shoes." When the business environment changes rapidly, existing plans may become outdated and ineffective. Rigid plans often fail to accommodate fast-moving trends and technological shifts.

Final Answer: Direction foresight (benefits); rigidity dynamic market failure (limitations).

Quick Tip

Planning sets a roadmap for the organization but must remain adaptable to external changes to stay effective.

33. Ayush and Rhea were passionate about sustainable agriculture and healthy living. They wanted to start a business selling organic produce. They had a small farm in a rural area where they began growing fresh organic produce and herbs. In the beginning, they faced challenges in marketing their organic products. They realized that their high quality produce needed better presentation and a strong identity to stand out in a competitive market. They named the business ‘Earthy Store’ which indicated the products’ benefits and qualities and reflected the values of the business — sustainability and health. They chose a ‘logo’ that incorporated elements of nature and used earthy colours to convey their organic commitment. They designed and developed eco-friendly biodegradable bags and reusable containers to courier their products to the customers. They also added personal touch by including handwritten notes in each bag. They also designed and developed product stickers with detailed information about organic certification, nutritional benefits, date of manufacture, date of expiry, etc. The stickers so developed were put on the bags and reusable containers for customers convenience. ‘Earthy Store’ created a user-friendly website and established strong media presence to inform potential customers about their products and persuading them to buy the same. Within a couple of months, they had built a loyal customer base which made them earn profits even in a competitive environment. In a year, they were able to secure contracts with local grocery stores and restaurants. Quoting lines from the paragraph, identify and explain the three functions of marketing discussed in the above case.

Correct Answer: 1. Product Designing and Development

2. Promotion

3. Standardisation and Grading

Solution: 1. **Product Designing and Development:** Quoting from the case: “They designed and developed eco-friendly biodegradable bags and reusable containers to courier their products to the customers.” Product design involves decisions regarding the look, function, quality, and features of a product. In this case, the eco-friendly packaging reflects their

values and commitment to sustainability. It helps the product stand out and align with customer preferences.

2. **Promotion:** Quoting from the case: “‘Earthy Store’ created a user-friendly website and established strong media presence to inform potential customers about their products and persuading them to buy the same.” Promotion involves creating awareness and persuading consumers to buy. It includes advertising, personal selling, sales promotion, and public relations. Their digital promotion strategy helped build a loyal customer base.

3. **Standardisation and Grading:** Quoting from the case: “They also designed and developed product stickers with detailed information about organic certification, nutritional benefits, date of manufacture, date of expiry, etc.” Standardisation refers to setting uniform specifications for products, while grading classifies them based on quality. This builds trust, ensures quality control, and helps customers make informed decisions.

Final Answer: Product design, promotion, and standardisation were the three functions used effectively.

Quick Tip

A successful marketing strategy combines good product design, informative promotion, and standardization to win customers.

34. (a) Give the meaning of ‘Training’. Explain the following methods of training: (i) Apprenticeship Training, (ii) Internship Training

Correct Answer: Training is the process of increasing the knowledge and skills of an employee for doing a particular job.

(i) Apprenticeship Training

(ii) Internship Training

Solution: Training: Training refers to the process through which employees gain specific skills and knowledge to perform their jobs effectively. It helps employees improve their competence and confidence, leading to better performance. Training is essential to bridge the gap between job requirements and employee capabilities.

(i) **Apprenticeship Training:** It is a method where trainees work under the supervision of an experienced worker. It is commonly used in technical jobs such as electricians, plumbers,

and mechanics. Trainees learn by observing and doing the job, which provides hands-on experience. This training may last from a few months to years depending on the trade. It helps build strong practical skills and ensures mastery over job operations.

(ii) **Internship Training:** Internship training is typically offered to students pursuing professional courses such as MBA, CA, or engineering. It is usually of short duration and conducted in collaboration with educational institutions. Interns get real-world exposure, understand business practices, and get insights into their future roles. For example, a BBA student doing an internship in a marketing firm learns about client handling, promotions, and communication.

Final Answer: Training enhances efficiency; Apprenticeship offers hands-on learning; Internship offers real-world exposure to students.

Quick Tip

Training builds competence and prepares individuals to meet job expectations with confidence and skill.

34. (b) Explain any four points of importance of ‘Directing’ function of management.

Correct Answer: 1. Initiates Action

2. Integrates Employees’ Efforts

3. Motivates Employees

4. Facilitates Changes

Solution: 1. **Initiates Action:** Directing sets the process of work in motion. No planning or organizing can take place effectively unless managers direct their teams to act. It ensures that plans are executed through communication and supervision.

2. **Integrates Employees’ Efforts:** Directing coordinates various activities of employees and aligns their individual efforts with organizational goals. This prevents overlapping and confusion and promotes teamwork and cooperation.

3. **Motivates Employees:** Through effective leadership, communication, and recognition, directing boosts employee morale and inspires them to perform at their best. Motivated employees are more productive, committed, and innovative.

4. **Facilitates Changes:** Directing helps employees adapt to changes in organizational goals,

technology, or market dynamics by guiding them and reducing resistance to change through continuous support and communication.

Final Answer: Directing starts work, unifies efforts, motivates workforce, and supports change.

Quick Tip

Directing brings plans to life through motivation, supervision, and leadership—it is the action-oriented part of management.
