

## CBSE Business Studies Question Paper With Solutions

SET 3 - 66/2/3

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

### General Instructions

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

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

1. \_\_\_\_ is the process of searching for prospective employees and stimulating them to apply for jobs in the organization. (A) Training  
(B) Selection  
(c) Development  
(D) Recruitment

**Correct Answer:** (D) Recruitment

**Solution:** The process of searching for prospective employees and encouraging them to apply for jobs in an organization is known as **\*\*Recruitment\*\***. It is the first step in the employment process and is aimed at attracting a pool of qualified candidates for job openings. Recruitment involves identifying job vacancies, analyzing job requirements, reviewing applications, and encouraging suitable candidates to apply.

Let us examine the given options:

- **(A) Training:** Training is the process of enhancing the skills and knowledge of employees after they have been hired. It is a post-recruitment activity.
- **(B) Selection:** Selection is the process of choosing the most suitable candidate from the pool of applicants. It comes after recruitment.
- **(C) Development:** Development refers to the overall growth of an employee in terms of knowledge, skills, and capabilities over time. It is part of employee retention and growth.
- **(D) Recruitment:** Recruitment is the process of identifying the need for a job, defining its requirements, and encouraging candidates to apply. It precedes selection and training.

Thus, the correct answer is **\*\*Recruitment\*\***, as it is directly associated with attracting and inviting applications from potential candidates.

**Final Answer:** (D) Recruitment

#### Quick Tip

Recruitment is the process of identifying job vacancies and encouraging potential candidates to apply. It's the initial stage of hiring that ensures a wide talent pool for the organization.

---

2. 'Vishesh Constructions', a construction company, decided to strictly implement 'No Helmet, No Entry' and put the following sign at their construction sites :



Identify the type of plan indicated by the above sign :

- (A) Policy
- (B) Rule
- (C) Method
- (D) Programme

**Correct Answer:** (B) Rule

**Solution:** In management, planning is a vital function that lays the foundation for achieving organizational goals. It includes various types of plans such as objectives, strategies, policies, procedures, methods, rules, budgets, and programmes. Each of these plays a distinct role in shaping and guiding organizational behavior. Among these, **rules** represent the most specific and strict form of a plan.

A **rule** is a definite and rigid directive that prescribes specific actions under particular circumstances. It is binding and does not allow for any deviation. Rules are used to enforce discipline and ensure compliance with organizational standards. They are designed to provide precise guidance and are non-negotiable, meaning that failure to follow them often results in disciplinary action.

In the case of the sign “**No Helmet, No Entry**” implemented by Vishesh Constructions, the intent is to ensure that every individual who enters the construction site is wearing a safety helmet. This directive is **absolute and inflexible**—no exceptions are allowed. It is not a general guideline (like a policy), nor is it a part of a broader programme or method. Instead,

it is a clear-cut instruction that must be followed by all employees, workers, and visitors on site.

Let us examine why this is a rule and not any of the other options:

- **(A) Policy:** A policy is a general statement or guideline meant to channel decision-making. For example, “Safety is our top priority” could be a safety policy. Policies provide a framework but are not strict directives for immediate action. Hence, the sign does not represent a policy.
- **(C) Method:** A method refers to a systematic, prescribed way of doing a task. It focuses on the process of performing activities, not on regulating behavior. Wearing a helmet is not a “method” of doing a task—it is a requirement for safety.
- **(D) Programme:** A programme is a comprehensive plan that includes objectives, policies, procedures, and rules to achieve a specific purpose over a period. A safety awareness programme might include training, drills, and posters. But a single strict instruction like this is not a programme.
- **(B) Rule:** A rule defines what must or must not be done in a specific situation. The sign saying “No Helmet, No Entry” is a clear example of such a rule. It ensures that all individuals must comply, with no room for interpretation.

Thus, the sign strictly communicates a **\*\*non-negotiable, specific course of action\*\***, which is the essence of a rule.

**Final Answer:** (B) Rule

#### Quick Tip

Rules are the most specific types of plans in management. They clearly state what is permissible and what is not, and they must be strictly followed. A good example is a workplace safety rule such as “No Helmet, No Entry,” which enforces compliance for the well-being of workers.

---

**3. Match the Marketing Management philosophies given in Column I with their main focus given in Column II :**

Column I

Column II

- |                               |   |
|-------------------------------|---|
| 1. Production concept         | (i) Customers' needs                              |
| 2. Product concept            | (ii) Quality, performance and features of product |
| 3. Marketing concept          | (iii) Customers' needs and societal well-being    |
| 4. Societal marketing concept | (iv) Quantity of product                          |

Choose the correct option from the following : (A) 1-(iv), 2-(ii), 3-(iii), 4-(i)

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

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

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

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

**Solution:** The four marketing management philosophies mentioned in the question are based on different focuses that organizations can have. Let's break down the match:

- **Production concept** focuses on producing goods at a lower cost and mass availability, hence it primarily focuses on the **quantity of the product** (iv). - **Product concept** emphasizes quality, features, and performance of a product, which is reflected by **quality, performance, and features of the product** (ii). - **Marketing concept** is customer-oriented and focuses on meeting **customers' needs** (i). - **Societal marketing concept** is an extended version of the marketing concept that emphasizes both **customers' needs and societal well-being** (iii).

Thus, the correct matches are: - 1-(iv): Production concept → Quantity of product. - 2-(ii): Product concept → Quality, performance, and features of product. - 3-(i): Marketing concept → Customers' needs. - 4-(iii): Societal marketing concept → Customers' needs and societal well-being.

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

### Quick Tip

Each marketing concept focuses on a different priority: Production → efficiency and quantity, Product → quality and features, Marketing → customer needs, Societal Marketing → customer needs + societal welfare.

4. Akash Mehra is the Marketing Manager of 'Kedanta Enterprises'. He gives orders and expects his subordinates to obey those orders. Communication is only one-way with the subordinates only acting according to the command given by him. Identify the leadership style of Akash Mehra : (A) Authoritative

(B) Participative

(C) Free-rein

(D) Pragmatic

**Correct Answer:** (A) Authoritative

**Solution:** In the given scenario, Akash Mehra expects subordinates to follow orders without question, and communication is strictly one-way from him to the subordinates. This leadership style is **Authoritative**, where the leader gives clear instructions and expects them to be followed without seeking input or feedback from others.

- **(B) Participative:** This style involves involving subordinates in decision-making, which is not the case here. - **(C) Free-rein:** In this style, the leader gives employees more autonomy and freedom, which is the opposite of the authoritative style. - **(D) Pragmatic:** This refers to a more practical and flexible approach, which doesn't fit the description of strict one-way communication.

**Final Answer:** (A) Authoritative

### Quick Tip

Authoritative leadership involves giving orders with minimal input from subordinates. It is directive and suited to situations needing firm control.

5. 'Lack of confidence of superior in his subordinates' is one of the barriers of

communication. Identify the communication barrier : (A) Personal barrier

(B) Psychological barrier

(C) Semantic barrier

(D) Organizational barrier

**Correct Answer:** (B) Psychological barrier

**Solution:** A lack of confidence from a superior in their subordinates creates a

**psychological barrier** to communication. This type of barrier stems from emotional, mental, or psychological factors, such as mistrust, fear, or a lack of confidence, which can impede the flow of effective communication.

- **(A) Personal barrier:** Refers to issues like individual differences, attitudes, or perceptions, but it does not specifically address a lack of confidence. - **(C) Semantic barrier:** Involves misunderstanding due to language, technical terms, or ambiguous messages, which is not related to the lack of confidence. - **(D) Organizational barrier:** Refers to structural or hierarchical issues that restrict communication, but it is not the main cause of lack of confidence.

**Final Answer:** (B) Psychological barrier

#### Quick Tip

Psychological barriers arise from emotional issues like fear, mistrust, or lack of confidence, affecting how messages are sent or received.

---

6. 'JKSD India Ltd.' recently introduced a new range of 'fresh from kitchen' jams, ketchups, salad dressings and peanut butter, etc. They appointed salespersons to contact prospective customers in leading malls to create awareness about their products and develop product preferences with the aim of making sales. Which tool of promotion is being used by 'JKSD India Ltd.' to market its products : (A) Advertising

(B) Personal Selling

(C) Sales Promotion

(D) Public Relations

**Correct Answer:** (B) Personal Selling

**Solution:** The scenario describes the company employing **salespersons** to directly interact with customers in malls to create product awareness and preference. This is a clear example of **Personal Selling**, which involves one-on-one communication between a salesperson and potential customers to persuade them to purchase products.

- **(A) Advertising:** Involves mass media communication to promote products to a large audience, which is not happening here. - **(C) Sales Promotion:** Refers to short-term incentives like discounts or giveaways, but the focus here is on direct interaction. - **(D) Public Relations:** Involves managing the company's image, not direct sales activities.

**Final Answer:** (B) Personal Selling

#### Quick Tip

Personal selling is a face-to-face promotional tool involving direct interaction with customers to influence purchase decisions.

---

7. A name, term, symbol, design, or some combination of these, used to identify the products, goods or services of one seller or group of sellers and to differentiate them from those of the competitors is known as : (A) Brand

(B) Trade Mark

(C) Brand Name

(D) Brand Mark

**Correct Answer:** (A) Brand

**Solution:** A **Brand** is a combination of a name, term, symbol, design, or any other feature that helps identify a company's products and distinguish them from competitors' offerings. The brand is a representation of the product's identity in the market.

- **(B) Trade Mark:** A trade mark is a legally registered symbol or name, but it's not as broad as a brand. - **(C) Brand Name:** This refers specifically to the name part of the brand, not the whole identity. - **(D) Brand Mark:** This refers to the symbolic or design part of a brand, not the complete identity.

**Final Answer:** (A) Brand

### Quick Tip

A brand is a broader identity made up of name, design, symbol, etc., that differentiates a product and builds recognition and loyalty.

8. Which of the following is not a feature of marketing : (A) Needs and wants  
(B) Storage and warehousing  
(C) Customer value  
(D) Creating a market offering

**Correct Answer:** (B) Storage and warehousing

**Solution:** \*\*Storage and warehousing\*\* is more related to logistics and supply chain management, rather than marketing itself. While they are essential to the product distribution process, they are not typically considered a feature of marketing, which is primarily focused on customer needs, value, and market offerings.

- \*\*(A) Needs and wants:\*\* Marketing focuses on understanding customer needs and wants.
- \*\*(C) Customer value:\*\* Marketing aims to create value for customers.
- \*\*(D) Creating a market offering:\*\* Marketing creates offerings that appeal to customers' needs.

**Final Answer:** (B) Storage and warehousing

### Quick Tip

Marketing focuses on customer value and satisfaction. Storage and warehousing are logistical functions, not core features of marketing.

9. Statement I : Controlling ensures that activities in an organization are performed as per the plans. Statement II : Controlling function of a manager is a pervasive function. Choose the correct option from the options given below : (A) Statement I is true and Statement II is false  
(B) Statement II is true and Statement I is false  
(C) Statement I is true and Statement II is true  
(D) Both the Statements are false

**Correct Answer:** (C) Statement I is true and Statement II is true

**Solution:** Statement I is correct because controlling is a function that ensures activities in an organization are in alignment with the established plans and goals.

Statement II is also true because the controlling function applies to all levels of management and across all departments, meaning it is a pervasive function.

**Final Answer:** (C) Statement I is true and Statement II is true

#### Quick Tip

Controlling is both goal-oriented and pervasive—it applies across all departments and ensures alignment with plans and standards.

---

**10.** Sunita opened her travel agency named ‘Sunita Travels’ in July, 2023. She created separate departments for reservations, hotel bookings, online queries and payment handling. Which organisation structure is used by Sunita : (A) Functional structure (B) Divisional structure (C) Informal structure (D) Vertical structure

**Correct Answer:** (A) Functional structure

**Solution:** In a functional structure, the organization is divided into smaller groups based on specialized functional areas such as marketing, finance, operations, etc. Each functional unit is managed independently and is responsible for its area of operation. In the case of Sunita Travels, the company has been organized by function: reservations, hotel bookings, online queries, and payment handling. Each of these functions operates as a separate department, which indicates the use of a functional structure. This structure promotes operational efficiency, enhances specialization, and ensures better supervision within departments.

**Final Answer:** (A) Functional structure

#### Quick Tip

Functional structure groups jobs based on similar activities or functions, improving efficiency and specialization.

---

**11.** From the following, choose the *incorrect* statement about the importance of ‘Directing’ function of management : (A) Directing helps to initiate action by people in the organization

towards attainment of desired objectives. (B) Directing integrates employees' efforts in the organization in such a way that every individual effort contributes to the organization's performance. (C) Directing facilitates introduction of needed changes in the organization. (D) Directing helps in estimating manpower requirements for the organization.

**Correct Answer:**(D) Directing helps in estimating manpower requirements for the organization.

**Solution:**Directing is a key managerial function that involves leading, motivating, communicating, and supervising employees to achieve organizational goals. It initiates action and ensures that employees work effectively toward organizational objectives.

Option (A) is correct because directing is essential for translating plans into action. Option (B) is correct as directing brings harmony in group efforts by aligning individual efforts with the organization's overall goals. Option (C) is also true since effective direction helps an organization adapt to changes by guiding employees through transitions.

However, Option (D) is incorrect because manpower estimation or workforce planning is a component of the staffing function, not directing. Staffing includes forecasting human resource needs, recruitment, and placement, whereas directing deals with instructing and guiding employees after they have been hired.

**Final Answer:** (D) Directing helps in estimating manpower requirements for the organization.

#### Quick Tip

Directing is about guiding and motivating employees. Manpower planning is part of staffing, not directing.

---

**12.** The selection tests which are used to measure individual's potential for learning new skills are called : (A) Aptitude Tests (B) Intelligence Tests (C) Personality Tests (D) Interest Tests

**Correct Answer:** (A) Aptitude Tests

**Solution:**Aptitude tests are designed to assess an individual's ability to acquire new skills and perform future tasks. They evaluate the capacity to learn or develop proficiency in a

particular area. Organizations use aptitude tests to predict how well a candidate might perform in a role after training.

This differs from:

- Intelligence tests (B) - measure overall cognitive ability.
- Personality tests (C) - evaluate behavioral traits and characteristics.
- Interest tests (D) - assess preferences or inclinations toward certain activities or fields.

Thus, aptitude tests are best suited for measuring the potential to learn, which is key in selection decisions.

**Final Answer:** (A) Aptitude Tests

#### Quick Tip

Aptitude tests measure potential for future learning, not current knowledge or personality traits.

---

**13.** 'Increase in profit earned by equity shareholders due to the presence of fixed financial charges like interest' is referred to as :

- (A) Capital structure
- (B) Financing decision
- (C) Return on Investment
- (D) Trading on equity

**Correct Answer:** (D) Trading on equity

**Solution:** Trading on equity refers to the process of using fixed-charge capital (like debt or preference shares) to increase the return on equity shareholders. When a company uses debt financing, it pays fixed interest regardless of its profit. If the company earns more than this fixed cost, the remaining profits increase the earnings for equity shareholders.

This technique can be beneficial in a growing and profitable firm, as it enhances shareholders' returns. However, excessive use of debt can be risky in low-profit situations, as it increases financial obligations.

**Final Answer:** (D) Trading on equity

### Quick Tip

Trading on equity uses debt to magnify returns for shareholders when ROI exceeds interest costs.

14. 'A public issue of equity may reduce the management holding in the company and make it vulnerable to takeover...' The factor affecting choice of capital structure discussed in the above case is :

- (A) Flexibility
- (B) Cost of debt
- (C) Cost of equity
- (D) Control

**Correct Answer:** (D) Control

**Solution:** Control is an important consideration when choosing a capital structure. Raising funds through equity dilutes the ownership stake of existing shareholders, especially the promoters or management. This can reduce their control over the company and increase the risk of hostile takeovers.

In contrast, debt financing does not dilute ownership since it involves borrowing funds that must be repaid with interest. Hence, companies where management wants to retain control often prefer debt over equity despite the financial burden.

textbfFinal Answer: (D) Control

### Quick Tip

Issuing more equity can dilute promoter control, making companies vulnerable to takeover.

15. \_\_\_\_\_ is the process of holding securities in an electronic form.

- (A) Rolling Settlement
- (B) Registration
- (C) Dematerialization
- (D) Depository

**Correct Answer:** (C) Dematerialization

**Solution:** Dematerialization is the process through which physical share certificates are converted into electronic format and stored in a demat account. This makes trading faster, reduces paperwork, prevents fraud, and increases transparency.

Unlike registration (which is just the recording of ownership) or a depository (which holds securities), dematerialization refers specifically to the conversion process itself.

textbfFinal Answer: (C) Dematerialization

#### Quick Tip

Dematerialization replaces physical certificates with electronic records to improve efficiency and safety in trading.

---

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

*Assertion (A) :* Decentralization is an optional policy decision.

*Reason (R) :* It is done at the discretion of the top management.

(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:** Decentralization refers to systematic delegation of decision-making authority from top management to lower levels. It is not mandatory; it is a policy decision made by the organization depending on its structure, culture, and business needs.

This policy decision is made at the discretion of top-level management, who decide how much authority to delegate and to whom. Hence, both statements are correct, and the reason explains the assertion.

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

#### Quick Tip

Decentralization is optional and strategic; it is implemented based on management's willingness to delegate.

---

**17.** 'Lens-o' was started as an online eyewear company... Now they also sell offline from their own showroom. Which channel of distribution is used by the company :

- (A) Zero level channel
- (B) One level channel
- (C) Two level channel
- (D) Three level channel

**Correct Answer:** (A) Zero level channel

**Solution:** A zero-level distribution channel means there are no intermediaries between the producer and the consumer. The product is sold directly through online platforms, company-owned stores, or direct orders. 'Lens-o' sells directly online and in its own retail showroom, hence it follows a zero-level channel.

Other channels involve intermediaries like retailers (one level), wholesalers and retailers (two level), etc., which are not applicable here.

textbfFinal Answer: (A) Zero level channel

#### Quick Tip

Zero-level channel = direct selling from producer to consumer, common in D2C and online-first businesses.

---

**18.** Financial market allocates or directs funds available for investment into the most productive investment opportunity. In doing so, it performs the ----- function.

- (A) Creative
- (B) Exchange

(C) Allocative

(D) Productive

**Correct Answer:** (C) Allocative

**Solution:** The allocative function of the financial market involves channeling funds from savers to the most efficient and profitable investment opportunities. It ensures that resources are used where they can generate the highest return, promoting overall economic growth. This function is vital in prioritizing sectors that need funding and helps in the optimal use of scarce capital resources.

Final Answer: (C) Allocative

#### Quick Tip

Allocative function of financial markets ensures that scarce resources flow to the best investment opportunities.

---

**19.**

Sudha and Shweta were twin sisters. After completing their education from college, they decided to start a business. As they were Commerce students, they knew the importance of deciding in advance and how to do what to do. It was very challenging for them as this decision was to guide all their future actions. While discussing the same with their mother, they got a new idea of starting a Cloud Kitchen. Both the sisters were very excited to start this. The idea took the shape of a concrete plan and within a month, they were successful in starting their Kitchen. Cloud

Identify the point of importance of planning highlighted in the above case :

(A) Planning reduces the risk of uncertainty.

(B) Planning promotes innovative ideas.

(C) Planning establishes standards for controlling.

(D) Planning reduces overlapping and wasteful activities.

**Correct Answer:** (B) Planning promotes innovative ideas.

**Solution:** The case highlights that Sudha and Shweta, while discussing with their mother, came up with a new business idea: launching a 'Cloud Kitchen'. This showcases how

planning acts as a platform for creativity and innovation.

Planning is not just about setting goals and determining the best way to achieve them—it also provides a structured approach to think ahead. In this situation, the sisters were able to ideate something new and convert it into action. This process is made possible because planning provides a roadmap, resources, and mental clarity for nurturing innovative thinking. Hence, the importance of planning that is evident here is its ability to **promote innovative ideas**, which led to the successful creation of their new business.

**Final Answer:** (B) Planning promotes innovative ideas.

#### Quick Tip

Planning encourages creativity by allowing people to visualize new ideas and organize resources to bring them to life.

---

**20.** Sushant was an able Project Manager at Keiro Ltd. Head, Naveen handed over a new project to Sushant. Sushant already had enough work in hand. So, Sushant decided to divide the work assigned to him, among three of his subordinates. He himself kept that part of the work which he himself could perform effectively and got his subordinates to help him with what remained. The project got completed well in time because of this.

The concept of management used by Sushant to complete the project was:

- (A) Delegation
- (B) Decentralization
- (C) Accountability
- (D) Authority

**Correct Answer:** (A) Delegation

**Solution:** Delegation is the process through which a manager assigns responsibility and authority to subordinates to carry out specific tasks, while retaining accountability for the outcome.

In the case of Sushant, he already had enough work and when given a new project, he chose to assign part of that work to his subordinates. He only retained the work that he could do best and distributed the rest. This clearly indicates that Sushant was using the principle of

**Delegation**, where he transferred both responsibility and authority while still being accountable for the project.

It is not decentralization (which is a broader structural decision involving multiple levels) or just accountability or authority alone. Delegation enables efficiency, timely completion, and better use of human resources.

**Final Answer:** (A) Delegation

#### Quick Tip

Delegation boosts productivity by assigning the right task to the right person with authority to act.

---

**21.** After studying Entrepreneurship in Class XII, Neel completed a baking course and started a bakery. He set a target of earning a modest 10 percent return on investment in the first year. As he was supplying healthy bakery products, the demand kept increasing. Cakes and Bakes became a famous bakery in a year. He now wanted to develop a plan to define the direction and scope of Cakes and Bakes the long run. He made a marketing plan to decide if he could charge higher price to improve his return on investment, how to advertise the products, etc.

Quoting lines from the paragraph, identify and explain two types of plans discussed in the above case.

**Correct Answer:** Objective and Strategy/Programme

**Solution:** Two types of plans discussed in the above case are:

**1. Objective:** Quoted line: “He set a target of earning a modest 10 percent return on investment in the first year.” This indicates Neel’s objective, which is a desired result that he wants to achieve. Objectives are end goals toward which all activities are directed. This ROI goal is specific, measurable, and time-bound, which defines the organization’s purpose clearly.

**2. Strategy (or Programme):** Quoted line: “He made a marketing plan to decide if he could charge higher price to improve his return on investment, how to advertise the products...”

This line indicates the formulation of a comprehensive strategy or programme to achieve the objective. A strategy is a broad plan developed to achieve organizational goals in a

competitive environment. Here, Neel plans to implement pricing and advertising tactics, which shows strategic thinking and planning.

These two plans—setting clear objectives and developing strategic actions—help guide a business effectively toward success.

**Final Answer:** Objective and Strategy/Programme

#### Quick Tip

Objectives set the ‘what to achieve’, while strategies or programmes define ‘how to achieve it’.

**22. (a)** State any three ‘regulatory functions’ of Securities and Exchange Board of India.

**Correct Answer:** Three regulatory functions of SEBI are:

**Solution:** The Securities and Exchange Board of India (SEBI) is the regulatory authority established to protect the interests of investors and to regulate the securities market in India. Its regulatory functions help ensure fair practices, transparency, and stability in the market.

**1. Regulation of stock exchanges and other intermediaries:** SEBI frames rules and regulations to govern the functioning of stock exchanges, brokers, sub-brokers, underwriters, and other intermediaries to ensure smooth operations and protect investor interests.

**2. Regulation of takeover bids:** SEBI lays down rules and procedures to govern mergers, acquisitions, and takeover bids, so that all shareholders are treated fairly and the process is transparent and ethical.

**3. Regulation of mutual funds:** SEBI regulates the formation and functioning of mutual funds, ensuring that their operations are transparent and that investors are informed about risk, returns, and policies.

**Final Answer:** Three regulatory functions: 1. Regulation of stock exchanges and intermediaries 2. Regulation of takeover bids 3. Regulation of mutual funds

#### Quick Tip

SEBI’s regulatory role ensures market integrity and safeguards investors through oversight and enforcement.

---

**OR**

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

**Correct Answer:** Three objectives of SEBI are:

**Solution:** SEBI aims to develop a dynamic and transparent securities market in India. Its key objectives are designed to protect investors, ensure orderly market functioning, and encourage capital formation.

**1. To protect the interest of investors in securities:** SEBI ensures that investors are not cheated through unfair trade practices. It emphasizes transparency and full disclosure of information by companies.

**2. To regulate the securities market:** SEBI establishes and enforces rules for intermediaries like brokers, underwriters, and stock exchanges to maintain fair conduct in the market.

**3. To promote the development of the securities market:** SEBI initiates steps to make the Indian securities market more efficient and investor-friendly through digitization, education, and modern practices.

**Final Answer:** Three objectives of SEBI: 1. Protection of investors 2. Regulation of securities market 3. Development of the securities market

#### Quick Tip

SEBI's objectives align with investor protection, market regulation, and financial market development.

---

**23. (a)** Explain any three points of importance of 'Controlling' function of management.

**Correct Answer:** Three key points highlighting the importance of controlling in management are:

**Solution:** Controlling is a critical managerial function that ensures the organization is moving towards its defined goals. It involves setting performance standards, measuring actual performance, and taking corrective actions.

**1. Helps in achieving organizational goals:** Controlling ensures that all departments and individuals are working in alignment with the goals set during the planning stage. It

coordinates efforts and keeps the organization on track.

**2. Judging accuracy of standards:** Through performance measurement and comparison with set standards, managers can assess whether those standards were realistic or require revision.

**3. Ensures efficient use of resources:** By tracking the actual performance and minimizing wastage or deviation, controlling helps to use men, material, money, and machinery effectively.

**Final Answer:** Three key points: 1. Alignment with organizational goals 2. Assessment and correction of standards 3. Efficient resource utilization

#### Quick Tip

Controlling guides the organization toward goals, ensures efficiency, and allows for proactive correction of deviations.

---

**OR**

(b) Explain the relationship between 'Planning' and 'Controlling' functions of management with the help of any three points.

**Correct Answer:** Planning and Controlling are closely interrelated. The relationship can be understood through these points:

**Solution: 1. Planning sets the goals; controlling ensures achievement:** Planning determines the objectives to be achieved and the course of action to be followed. Controlling monitors whether those plans are being implemented and corrects deviations.

**2. Planning is forward-looking; controlling is backward-looking:** Planning is a future-oriented function—it looks ahead to set objectives. Controlling evaluates past performance against these set objectives to identify errors.

**3. Controlling is meaningful only when planning exists:** Without planning, there are no benchmarks or objectives to measure against. Thus, controlling is dependent on planning to function effectively.

**Final Answer:** The relationship between planning and controlling is cyclical and interdependent—planning sets the course, and controlling keeps it on track.

### Quick Tip

Planning and controlling go hand in hand—planning initiates actions, and controlling ensures they stay on path.

**24.** Piyush is the Production Manager of a shoe company called . He has 1000 workers working under him in his department. Piyush booked a special order for 300 pairs of gents shoes at an estimated cost price of Comforty ; 500 per pair plus 20 percent profit margin. The order is to be completed within 10 days. After completion of the order, Piyush found out that the production cost of one pair of shoes was 600 Rupees. He tried to find out the reason but couldn't. He reported it to the Chief Executive Officer. The Chief Executive Officer appointed Abhay to find out the cause. Abhay was not only a specialized Cost Accountant, but also a qualified Human Resource Manager. After two days, Abhay reported that the set targets could be completed with the help of only 800 workers, which revealed that there was overmanning in the organization. The organization was not utilizing the human resources optimally, which had led to higher labour cost. The above case highlights one of the points of importance of an important function of management.

(i) Identify the function of management. (ii) State any two points of importance of the function of management identified in part (i), except the one discussed in the above case.

**Correct Answer:**(i) Controlling (ii) Two points of importance:

- **Accomplishing Organizational Goals:** Controlling ensures that all departments and individuals within an organization are aligned with the overall objectives. It compares actual performance with planned performance and takes corrective action when needed, thus ensuring goals are met efficiently.
- **Judging Accuracy of Standards:** Controlling helps in reviewing and verifying the standards set during the planning phase. If deviations are consistent, it may indicate that the standards were unrealistic or poorly defined, allowing for necessary revisions.

**Solution:**The case highlights the issue of overstaffing, which led to higher labor costs. This discrepancy was discovered through an analysis of actual performance versus expected performance — a core part of the controlling function of management. Controlling identifies

deviations and helps take corrective actions to optimize performance.

#### Quick Tip

Controlling is not just about identifying mistakes but also about aligning actual performance with planned objectives and continuously improving future standards.

**25.** Ashwin was a fashion designer. On losing his job, he decided to sell the designer clothes online under the brand name *ogue*. The garments were made of good quality fabric with intricate designs and skilled craftsmanship, making them expensive to produce. Realizing that the online market is very competitive, he decided to charge a reasonable price for the garments. The price would cover the cost of production and sale of garments as well as give him 10 percent margin over and above the cost.

Identify and explain two factors affecting the price determination discussed in the above case.

#### Correct Answer:

- **Cost of the Product:** Ashwin considered the cost of raw materials, design intricacy, and quality to ensure that the price covered all production and sales expenses.
- **Competition in the Market:** The online clothing market is highly competitive. To attract customers, Ashwin decided to keep a reasonable price while ensuring a 10

**Solution:** Ashwin factored in both internal and external determinants while pricing. The internal factor, cost of production, included premium fabric and skilled labor.

Externally, he had to keep in mind the competitive landscape of the online market, which pushed him toward setting a balanced and profitable price.

#### Quick Tip

Pricing strategies must balance internal costs with external market dynamics to ensure competitiveness and profitability.

**26.** (a) Explain 'Promotions' and 'Transfers' as internal sources of recruitment.

#### Solution:

- **Promotion:** Promotion refers to shifting an employee to a higher position, usually with more responsibilities, better status, and increased pay. It motivates employees, improves morale, and utilizes internal talent effectively.
- **Transfer:** Transfer involves shifting an employee from one job to another or from one department to another at the same level of responsibility and pay. It helps in job rotation, avoids monotony, and matches employees with departments where their skills are better utilized.

**Final Answer:** Internal recruitment through promotions and transfers boosts employee morale and helps in better utilization of internal resources.

#### Quick Tip

Internal recruitment methods like promotions and transfers ensure loyalty and growth from within the organization.

---

(b) State any four limitations of internal sources of recruitment.

**Solution:**

- **Limited Choice:** Internal recruitment restricts the number of candidates available for a particular job.
- **Stagnation of Ideas:** It can lead to inbreeding, with no new ideas entering the organization.
- **Employee Discontent:** Sometimes, deserving employees may be overlooked, leading to dissatisfaction.
- **Lack of Competition:** Absence of external talent may lead to complacency among employees.

**Final Answer:** Despite being cost-effective, internal recruitment can lead to limited innovation and dissatisfaction.

### Quick Tip

A mix of internal and external recruitment keeps innovation high while maintaining employee morale.

---

27. (a) Explain the following factors affecting the requirements of fixed capital:

- **Growth Prospects:** Firms planning for growth require more fixed capital to expand infrastructure, set up new branches, and scale operations.
- **Diversification:** Businesses diversifying their product lines or entering new markets require additional fixed capital to support new machinery, buildings, and technology.

### Quick Tip

High growth or diversification plans require major investments in fixed assets.

---

(b) Explain the following factors affecting dividend decision:

- **Stock Market Reaction:** Investors react positively or negatively to dividend announcements. A consistent dividend policy builds investor trust.
- **Access to Capital Market:** Companies with easy access to capital markets may retain more earnings and declare lower dividends.

### Quick Tip

Dividend decisions are influenced by investor expectations and ease of raising funds.

---

28. "The stock exchange performs many vital functions in today's commercial world". Explain any four such functions.

**Solution:**

- **Providing Liquidity and Marketability:** Stock exchanges allow investors to

convert securities into cash easily.

- **Pricing of Securities:** Prices are determined through market demand and supply mechanisms.
- **Safety of Transaction:** Trading under regulatory frameworks ensures transparency and protects investor interests.
- **Contributes to Economic Growth:** By channelizing savings into productive investments, stock exchanges aid capital formation.

#### Quick Tip

The stock exchange is the heart of the capital market, ensuring investment safety and economic progress.

---

**29.** VBR Cinema an Indian multiplex cinema hall was the first to recognize the change in consumption habits of people. It changed its food menu from burgers, pizza, soft drinks, etc. and switched over to healthier options like salads and smoothies, soups and anjeer-based sweets. Within a month, the revenue of the multiplex from sale of food items doubled. VBR Cinema, by continuously monitoring the environment and adopting suitable business practices, was able to improve its revenues and profits and was hopeful that it will continue to succeed in the market in the long run too. Identify and explain one dimension of business environment and one point of importance of understanding the business environment highlighted in the above case.

#### Solution:

- **Dimension:** Social Environment – VBR Cinema responded to changing preferences of health-conscious consumers.
- **Importance:** Helps in Identifying Opportunities – By understanding trends early, VBR was able to gain first-mover advantage, doubling their revenue.

#### Quick Tip

Monitoring the business environment regularly gives companies a competitive edge.

---

**30.** Inaya Ltd is a multinational technology company focusing on artificial intelligence, online advertising and search engine technology. The company is generating good profits and takes care of the well-being of its staff. The company offers benefits like car allowance, medical aid and allowance for childrens education to all employees above the Manager level. It regularly contributes towards the Employees Provident Fund and pays gratuity on retirement to its employees. Under a special incentive scheme, the employees are offered shares of Inaya Ltd at a set price which is lower than the market price. Each year, the company keeps aside funds to pay one percent of base salary as bonus to its employees. No wonder 90 percent of the employees would recommend working at Ltd to a friend.

Explain four incentives being provided by ‘Inaya Ltd.’ to motivate their employees for better performance.

**Solution:**

1. **Monetary Incentives:** Bonus, profit sharing, and stock options like shares at discounted prices.
2. **Retirement Benefits:** EPF contributions and gratuity ensure long-term security.
3. **Allowances:** Car, education, and medical aid allowances enhance well-being.
4. **Recognition and Recommendation:** High satisfaction and recommendation rates suggest strong organizational culture and recognition.

**Final Answer:** A mix of financial, non-financial, and social incentives are key to Inaya Ltd.’s employee motivation strategy.

**Quick Tip**

Employee motivation thrives when incentives address both financial and emotional needs.

---

**31.** Nalini has an online flower and gifts retail business. She coordinates efforts across eight outlets in four cities. From November to February, the wedding season increases

demand. She plans well in advance, ensures adequate workforce, monitors progress, and coordinates with departments for advertising and execution. Quoting lines from the paragraph, identify and explain four features of an important concept of management highlighted in the above case.

**Correct Answer:** The concept highlighted is **Coordination**

Features: 1. **Coordination integrates group efforts:** Line – “This acts as a binding force between the departments...” Explanation – Coordination brings together the efforts of individuals and departments to achieve a unified goal. It ensures that all employees work in harmony rather than in isolation, thereby reducing confusion and conflict.

2. **Coordination ensures unity of action:** Line – “...ensures that all action is aimed at achieving organizational goals.” Explanation – It aligns the activities of various departments such as operations, marketing, and human resources so that everyone moves in the same direction. This eliminates duplication of effort and ensures that the organisational objectives are clearly targeted.

3. **Coordination is a deliberate function:** Line – “She coordinates the efforts of her staff in a conscious and deliberate manner...” Explanation – Coordination does not happen automatically. It is a conscious and purposeful effort made by the manager to ensure proper communication and understanding between all parts of the organisation. Nalini’s efforts to synchronise her staff’s actions are a clear example of this.

4. **Coordination is a continuous process:** Line – “...begins at the planning stage and continues till controlling.” Explanation – Coordination is not restricted to one phase of management. It begins with planning and continues through organizing, staffing, directing, and controlling. Nalini consistently monitors activities across cities and departments, ensuring a constant flow of information and alignment of activities throughout the entire business cycle.

Coordination is an essential element of management that binds together all functions and activities of the enterprise. It ensures the smooth and efficient functioning of the organisation by unifying efforts across departments and levels. In the case of Nalini, coordination is evident in her proactive planning, conscious supervision,

inter-departmental collaboration, and continuous monitoring. These actions demonstrate that coordination is not just a one-time task but a continuous managerial responsibility.

Coordination leads to synergy in the workplace by minimizing inefficiencies and fostering cooperation. It becomes increasingly important in large and geographically spread businesses like Nalini's, where planning, operations, and marketing need to be synchronised seamlessly to meet seasonal demands and organisational goals.

**Final Answer:** Concept – Coordination

Features – Integrates efforts, Ensures unity of action, Is deliberate, Is continuous

#### Quick Tip

Coordination is the essence of management that helps integrate efforts, avoid duplication, and keep departments aligned toward common goals.

---

**32.** (a) Explain the following techniques of Scientific Management : (i) Fatigue study (ii) Differential piece wage system (iii) Standardisation and simplification of work

**Solution:**

- **Fatigue Study:** This technique involves determining the amount and frequency of rest intervals in a work cycle to ensure that workers do not get overly tired, thus maintaining efficiency and productivity. It identifies the causes and effects of fatigue and helps design suitable work-rest schedules.
- **Differential Piece Wage System:** This system rewards efficient workers with higher wages based on their output. Workers who produce above the standard output receive a higher rate per unit, while those who produce below standard receive a lower rate. This encourages competition and increases productivity.
- **Standardisation and Simplification of Work:** Standardisation refers to setting benchmarks for tools, techniques, and processes to reduce variability and ensure consistency. Simplification involves eliminating unnecessary varieties, sizes, and dimensions to reduce complexity and increase efficiency.

**Final Answer:** These techniques of Scientific Management help in improving

productivity, reducing waste, and optimizing worker performance.

#### Quick Tip

Scientific Management aims to enhance efficiency by scientifically analyzing work processes and worker capabilities rather than relying on traditional methods.

---

(b) Explain the following features of principles of management : (i) General guidelines  
(ii) Cause and effect relationship (iii) Universal applicability

#### **Solution:**

- **General Guidelines:** Principles of management provide broad and general guidelines for managerial decision-making and behavior. They are not rigid rules but offer flexibility in application according to the situation.
- **Cause and Effect Relationship:** These principles explain the relationship between managerial actions and their results. They guide managers on how specific actions are likely to yield specific outcomes.
- **Universal Applicability:** The principles are applicable to all types of organizations—large or small, business or non-business, and at all levels of management.

**Final Answer:** The features of principles of management ensure that they can be applied effectively in diverse scenarios to improve managerial practices.

#### Quick Tip

While management principles are universal, their application must be adapted to the unique context of each organization.

---

**33.** (a) ‘The process of organising involves a series of steps in order to achieve the desired goals.’ Explain these steps.

#### **Solution:**

1. **Identification and Division of Work:** The first step involves identifying the total work and dividing it into specific tasks or jobs according to the skills and capabilities of employees.
2. **Departmentalisation:** Related jobs are grouped into departments like marketing, production, HR, etc., for specialization and coordination.
3. **Assignment of Duties:** Individuals are assigned specific roles and responsibilities that match their qualifications and expertise.
4. **Establishing Reporting Relationships:** A clear hierarchy is established, defining who reports to whom to ensure smooth coordination and accountability.

**Final Answer:** Organising ensures systematic allocation of tasks and responsibilities to achieve efficiency and organizational goals.

#### Quick Tip

A well-organised structure leads to better role clarity, improved communication, and smooth functioning of the organization.

---

(b) Explain any four features of 'Planning' function of management.

**Solution:**

- **Planning is Goal-Oriented:** It focuses on achieving specific organizational objectives.
- **Planning is Pervasive:** It is required at all levels of management and in all departments.
- **Planning is Continuous:** It is an ongoing process that evolves with changes in the environment.
- **Planning is Futuristic:** It involves forecasting and making decisions for the future based on present information.

**Final Answer:** Planning provides direction, reduces uncertainty, and prepares the organization for future challenges.

### Quick Tip

Planning lays the foundation for all other managerial functions and ensures optimal use of resources.

**34.** Ashish wanted to purchase one LCD TV for his home. He decided to go to various stores selling electronic items to check the available varieties of different brands. One of his friends took him to a manufacturer selling LCD TV at almost half the price. The manufacturer described its various features and insisted that Ashish buys the LCD TV from him. Seeing the features, Ashish decided to buy the TV from him, even when the TV was not having any standardisation mark on it. When Ashish asked for the cash memo, the manufacturer discouraged him, saying that it will attract additional tax. He further told Ashish not to worry and promised that if there would be any problem with the TV, he would replace it immediately. The TV started malfunctioning within a month and Ashish asked for its replacement. The manufacturer refused to replace the LCD TV, telling him that the problem is due to mishandling of the TV. Ashish decided to file a complaint in the Consumer Court against the manufacturer.

(i) Identify and explain two consumer rights discussed in the above case. (ii) State two consumer responsibilities that Ashish did not fulfil while buying the LCD TV.

**Correct Answer:** (i) Rights: 1. **Right to be Informed:** Ashish should have been properly informed about the product specifications and standardisation marks. 2. **Right to Seek Redressal:** Ashish has the right to seek compensation for faulty goods.

(ii) Responsibilities: 1. **Check for standardisation mark:** Ashish ignored the absence of a quality mark. 2. **Ask for a proper bill:** He did not insist on a proper cash memo/invoice.

The case highlights how consumer rights protect buyers and why responsibilities must be fulfilled. Ashish's failure to check the product certification or take a receipt led to difficulty in getting justice. The Consumer Protection Act empowers buyers but requires them to act wisely.

**Final Answer:** Rights – Informed, Redressal; Responsibilities – Bill, Standardisation

### Quick Tip

Consumers must stay alert: ask for a bill, look for ISI/Agmark, and know your rights to avoid exploitation.

---