

CBSE Business Studies Question Paper With Solutions

SET 1 - 66/3/1

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

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

Correct Answer: (B) Social objective

Solution: The term **social objective** refers to a business organization's responsibility towards society. It includes initiatives aimed at societal development, improving the standard of living, promoting education and health, and contributing to environmental and community well-being. In this question, 'Bonfast Cement Ltd.' is shown to be taking steps towards the

upliftment and welfare of society by supporting seven villages through initiatives such as providing housing, schools, clean drinking water, and hygiene facilities. The company's commitment is further demonstrated by sending employees to check on the implementation of these services every 15 days.

Such consistent and sustained support towards villages, without direct business gains, reflects a philanthropic and ethical approach to corporate responsibility. It goes beyond profit-making motives and aligns with the principles of **Corporate Social Responsibility (CSR)**.

Why the other options are incorrect:

- **(A) Personal objective:** Related to individual employee goals like salary or career growth.
- **(C) Organizational objective:** Focused on company performance, not society.
- **(D) Economic objective:** Related to profitability, not welfare.

Final Answer: (B) Social objective

Quick Tip

Social objectives highlight a business's commitment to contribute positively to society through education, healthcare, and community development.

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

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

Correct Answer: (D) Job enrichment

Solution: **Job enrichment** is a motivational strategy that involves redesigning jobs to enhance employee satisfaction and performance. It gives employees more autonomy, responsibilities, and opportunities for personal and professional growth.

The question clearly describes features such as variety, autonomy, skill development, and meaningfulness — all of which are central to job enrichment.

Why the other options are incorrect:

- **(A) Job security:** Refers to employment stability, not content design.
- **(B) Perquisites:** Benefits like housing, transportation, unrelated to job roles.
- **(C) Employee recognition programme:** Rewards employees but doesn't redesign jobs.

Final Answer: (D) Job enrichment

Quick Tip

Job enrichment motivates employees by increasing responsibility, variety, and autonomy in their work.

3. Due to increasing presence of women in the workforce, 'Kisan Mart' comes out every Friday with big discount offers on daily use items to attract office-going women to shop on weekends. Which dimension of business environment is being highlighted in the above case?

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

Correct Answer: (A) Social environment

Solution: The scenario highlights how 'Kisan Mart' is adjusting its marketing strategy in response to a shift in **social trends** — namely, the increased workforce participation of women. The business is responding to societal values, preferences, and behaviors, which are key elements of the **social environment**.

Why the other options are incorrect:

- **(B) Legal environment:** Concerns laws and regulations.
- **(C) Political environment:** Involves government policies.
- **(D) Technological environment:** Involves new inventions and advancements.

Final Answer: (A) Social environment

Quick Tip

The social environment includes demographic trends, lifestyle changes, and cultural shifts affecting business decisions.

4. To motivate its employees on one side, 'Harshita Pearls' rewards them with increase in pay, promotion, recognition, etc. whereas on the other side it stops increments, gives punishment, threatens employees so that they may act in a desired manner. Which feature of motivation is being highlighted in the above case?

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

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

Solution: This question illustrates the dual nature of motivation. The company uses **positive motivators** like rewards and promotions, and **negative motivators** like punishments and threats. This is a direct reflection of the feature that **motivation can be both positive and negative**.

Why the other options are incorrect:

- **(A) Motivation is a complex process:** True, but not specific to this dual-action scenario.
- **(B) Motivation is an internal feeling:** Also true, but not the focus here.
- **(D) Motivation produces goal-directed behaviour:** Not wrong, but doesn't highlight the dual nature.

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

Quick Tip

Motivation can involve both rewards (positive) and penalties (negative) to influence behavior.

5. 'Mudro Infratech' got a short-term contract for building two villas within a period of ten months with the expectation to earn a huge amount of profit. The profit of the company went up by 40% due to this temporary order. The Finance Manager knew that this was not a regular or sustainable source of income. So, he decided not to increase dividend per share. The factor affecting Dividend Decision being highlighted above is:

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

Correct Answer: (D) Stability of dividends

Solution: The company experienced a **temporary spike in profits**, which the Finance Manager knew was not sustainable. So, he chose **not to increase dividends**, maintaining a stable payout. This reflects the principle of **stability of dividends**, where companies prefer to keep dividend payments consistent over time rather than fluctuating with temporary profit changes.

Why the other options are incorrect:

- **(A) Cash flow position:** No mention of cash availability.
- **(B) Shareholders' preference:** Not discussed in the case.
- **(C) Growth opportunities:** Not the reason for dividend restraint.

Final Answer: (D) Stability of dividends

Quick Tip

Companies often maintain stable dividends to build investor confidence, especially when profits are volatile.

6. Raunaq, while studying at the university, felt that there should be a food joint in the university campus to provide food to students round the clock. After passing out of college, he set up 'Hunger Point' in the university campus. Since he was the first one to recognize

this need, it soon became popular and profitable. Identify the point of importance of business environment discussed in the case:

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

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

Solution: The key aspect of the case is that Raunaq **identified a business opportunity** before others and acted on it. He saw a gap in the market — a food joint on campus — and took advantage of it. This reflects how a good understanding of the business environment helps entrepreneurs identify opportunities and gain a **first-mover advantage**, meaning entering a market before competitors.

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

Quick Tip

Recognizing early signals from the environment can help firms act quickly and gain competitive edge.

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

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

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

Solution: According to Maslow's theory, **a person moves to a higher level need only after a lower level need is satisfied**, not the other way around. Option (D) wrongly reverses this

logic. The correct hierarchy begins with physiological needs and moves upward to safety, social, esteem, and finally self-actualization.

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

Quick Tip

Maslow's theory follows an upward progression — from basic to higher-level needs — once lower ones are met.

8. Niyati, a school teacher, tells children not to pollute the environment and carries a bag to collect wrappers. Which responsibility of a consumer is she discharging?

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

Correct Answer: (C) Respecting the environment

Solution: Niyati demonstrates environmentally conscious behavior — guiding students not to litter and taking initiative to collect trash. These actions align with the consumer responsibility of **respecting the environment**.

Final Answer: (C) Respecting the environment

Quick Tip

Consumers have a responsibility to protect the environment by reducing waste and pollution.

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

- (A) 500 and 1000 notes were demonetized, ceasing to be legal tender except for buying properties.
- (B) It aimed to curb corruption and black money.
- (C) It helped channel savings into the formal financial system.

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

Correct Answer: (A) 500 and 1000 notes were demonetized, ceasing to be legal tender except for buying properties.

Solution: During demonetization, 500 and 1000 notes were completely withdrawn from circulation and were no longer legal tender for any transaction. Option (A) is incorrect because **no exemption was made for property purchases**. Thus, this is the false statement among otherwise correct facts.

Final Answer: (A) 500 and 1000 notes were demonetized, ceasing to be legal tender except for buying properties.

Quick Tip

Demonetization rendered high denomination notes invalid for all transactions — without exemptions.

10. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative:

Assertion (A): When the allocative function is performed well, scarce resources are allocated to the most productive firms.

Reason (R): Allocative function directs funds into their most productive investment opportunity.

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

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

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

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

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

Solution: Both statements are true and related: the **allocative function** ensures that funds are directed to their most efficient use, meaning they go to firms where productivity and returns are high. Hence, Reason (R) is a correct explanation for Assertion (A).

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

Quick Tip

Allocative function ensures optimal use of limited resources for maximum economic efficiency.

11. The legal framework in India requires the manufacturers to provide information about ingredients, date of manufacture, quantity, price, directions for use, etc., on the label of the product. From the following, identify the consumer right that is satisfied by the firm by fulfilling the requirement: (A) Right to safety

(B) Right to be informed

(C) Right to be assured

(D) Right to be heard

Correct Answer: (B) Right to be informed

Solution: When a firm provides all necessary product-related information such as ingredients, date of manufacture, and directions for use, it is ensuring the **Right to be Informed**. This empowers consumers to make well-informed choices and protects them from unfair trade practices.

Final Answer: (B) Right to be informed

Quick Tip

The Right to be Informed ensures that consumers get accurate product details to make safe and rational decisions.

12. From the following, identify the one which is **not** a function of stock exchange: (A)

Providing liquidity and marketability to existing securities

(B) Spreading of equity cult

(C) Ensuring safety of transactions

(D) Ensuring that there is no scope for speculation

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

Solution: While stock exchanges perform several roles such as ensuring transparency, providing liquidity, and spreading equity culture, **eliminating speculation entirely is not possible**. In fact, some level of speculation is inherent in stock trading. Thus, option (D) does not represent a function of stock exchange.

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

Quick Tip

Stock exchanges regulate and reduce risk but cannot eliminate speculation completely.

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

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

Choose the correct option from the following: (A) Statement I is true and Statement II is false.

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

(C) Both the Statements are true.

(D) Both the Statements are false.

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

Solution: Statement I correctly defines leadership as the process of influencing others. However, Statement II is incorrect because true leadership focuses on achieving organizational or group goals, not personal goals.

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

Quick Tip

True leaders align personal goals with group or organizational goals to inspire others.

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



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

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

Solution: The box shows the name **Amar Sweets**, which is the **brand name**, and also displays a visual symbol/logo, which is the **brand mark**. When both are present, it represents both branding elements.

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

Quick Tip

Brand Name is the verbal identity, while Brand Mark is the visual symbol of the product.

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- 15.** In the _____, a securities account can be opened, all shares can be deposited in it and sold/withdrawn anytime. Choose the correct option: (A) Primary market
- (B) Stock exchange
 - (C) Bank
 - (D) Depository

Correct Answer: (D) Depository

Solution: A **Depository** is like a bank for securities where investors can open demat accounts to hold shares electronically. It allows seamless transactions of securities.

Final Answer: (D) Depository

Quick Tip

A Depository holds securities in electronic form just like a bank holds money.

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

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

Choose the correct option: (A) Statement I is true and Statement II is false.

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

(C) Both the Statements are true.

(D) Both the Statements are false.

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

Solution: **Statement I** correctly defines the goal of financial management. **Statement II** is also true, as an increase in share value benefits shareholders. Both are accurate and related.

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

Quick Tip

Financial management focuses on maximizing the market value of shareholders' wealth.

17. Most of the organizations these days have adapted themselves to changing environment.

To reach and engage with the target customers, they started to have a strong presence on social media like Facebook, Instagram, etc. From the following, identify the feature of management being highlighted: (A) Management is a group activity.

(B) Management is a continuous process.

(C) Management is multidimensional.

(D) Management is a dynamic function.

Correct Answer: (D) Management is a dynamic function.

Solution: In the given situation, companies are responding to changes in the external environment—particularly the rising influence of social media platforms such as Facebook and Instagram. These platforms have become crucial tools for marketing, customer

engagement, and brand promotion. Organizations modifying their strategies to utilize these platforms reflect a core attribute of management: its **dynamic nature**.

A **dynamic function** means management is not static or rigid; rather, it constantly evolves and adapts in response to changes in the external environment such as:

- Technological advancements (e.g., digital marketing, e-commerce)
- Societal trends (e.g., social media usage, work-from-home culture)
- Economic fluctuations (e.g., inflation, global recession)
- Political and legal changes (e.g., GST policies, data privacy laws)

In this case, social media became a dominant platform for outreach. Organizations that adapt to this change early can better target their customers and retain competitive advantage.

Hence, this example exemplifies how management is responsive and adaptive — the hallmark of being **dynamic**.

Let us review other options:

- **(A) Management is a group activity:** Although true, this option doesn't match the specific theme of environmental adaptation.
- **(B) Management is a continuous process:** This refers to the cyclic process of planning, organizing, staffing, directing, and controlling.
- **(C) Management is multidimensional:** This refers to management involving work with people, operations, and goals — but doesn't focus on change.

Thus, the scenario is best matched with **Management is a dynamic function**.

Final Answer: (D) Management is a dynamic function

Quick Tip

A dynamic manager is one who constantly scans the environment and modifies plans and strategies to keep pace with external changes.

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

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

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

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

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

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

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

Solution: Understanding levels of management is crucial in grasping how an organization functions. Each level has its distinct set of responsibilities:

1. Top Level Management: This includes positions like CEO, Managing Director, Board of Directors. Their primary focus is long-term strategic planning, setting organizational goals, and ensuring the company's **welfare and survival**. Thus, matches with (iii).

2. Middle Level Management: This layer acts as a bridge between top-level and operational management. Department heads, regional managers fall under this level. They ensure that their departments are adequately staffed, organized, and prepared. Thus, it aligns with (ii).

3. Operational/Lower Level Management: These are supervisors and foremen who interact directly with the workers. They are tasked with ensuring that tasks are performed efficiently. Hence, they directly oversee the **efforts of the workforce**, which corresponds to (i).

Therefore, correct match: 1-(iii), 2-(ii), 3-(i).

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

Quick Tip

Top = Strategic goals, Middle = Departmental execution, Operational = Direct supervision.

19. 'Panmol Dairy' started using environment-friendly 'Bilona' method for making ghee and employed rural people. Identify the objective of management being achieved: (A) National

objective

(B) Personal objective

(C) Social objective

(D) Economic objective

Correct Answer: (C) Social objective

Solution: The **Social Objective of Management** emphasizes contributing positively to society. It includes:

- Providing employment, especially in underdeveloped or rural areas
- Using environment-friendly production methods
- Ensuring fair practices that benefit society at large

In the case of 'Panmol Dairy', two key actions stand out:

1. *Using traditional, environment-friendly Bilona method:* This helps in sustainable production and environmental conservation.
2. *Providing employment to illiterate rural people:* This action directly supports social welfare and reduces poverty/unemployment.

Thus, these activities go beyond the company's internal goals (economic or personal) and align with larger **societal wellbeing**, making **Social Objective** the correct answer.

Final Answer: (C) Social objective

Quick Tip

Social objectives reflect a firm's duty to the society — through sustainability, community welfare, and ethical operations.

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- 20.** Which of the following is **not** highlighting the importance of financial planning: (A) It helps in forecasting what may happen under different business situations.
- (B) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.
- (C) It provides a link between investment and financing decisions on a continuous basis.

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

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

Solution: Financial planning aims at anticipating financial needs, setting future goals, allocating resources efficiently, and minimizing uncertainty. The ultimate purpose is **efficiency, integration, and clarity** in financial decisions.

Let's evaluate the statements:

- (A) is correct — forecasting future business conditions is a key role of financial planning.
- (B) is correct — proper planning prepares the business to handle shocks and volatility.
- (C) is correct — it connects investment choices with appropriate financing sources.
- (D) is **incorrect** — this option contradicts the core objective. Financial planning **reduces** duplication and inefficiencies.

Hence, option (D) is not a true representation.

Final Answer: (D) Detailed plans of action...

Quick Tip

Financial planning improves efficiency — not waste. It streamlines business decisions.

21. Quoting lines, identify and state the objectives of management discussed in the case 'Quick Solutions'.

Correct Answer: Objectives of Management: Economic, Social, and Personal

Solution: The story of 'Quick Solutions' demonstrates a real-world application of multiple objectives of management. Let's analyze:

1. Economic Objective: *"Their software gained recognition... and the company started making profits."* — This reflects the firm's aim to earn revenue and maximize productivity. Profit generation and efficient resource use are the foundation of economic objectives.

2. Social Objective: *“Their software was developed in such a way that it caters to the needs of all sections.”* and *“They invested in RD to meet emerging market demands.”* — Here, the business is not only serving its clients efficiently but also contributing to societal development through inclusive products and innovation.

3. Personal Objective: *“It was a big incentive for Sana and Mihir... hired more employees.”* — This part shows how the founders were motivated by growth and success. Their personal fulfillment, leadership, and career development signify the achievement of personal objectives.

Thus, this single case reflects a balanced approach to all three major objectives of management.

Final Answer: Economic, Social, and Personal Objectives

Quick Tip

Great enterprises align economic growth with social good and individual success — fulfilling all three management objectives.

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

Solution (a): Psychological barriers arise due to the psychological state of the sender or receiver of the message. These include emotions, attitudes, judgment, and perception that obstruct effective communication.

- **1. Premature Evaluation:** Often, the receiver forms judgments before the sender finishes communicating. This attitude hinders objective listening and understanding.
- **2. Lack of Attention:** When the receiver is preoccupied or inattentive, it results in partial or no communication. For example, daydreaming or fatigue may cause inattentiveness.
- **3. Emotions:** A person who is emotionally disturbed or stressed may misinterpret the message. For example, anger or sadness may distort the intended meaning.

Quick Tip

Psychological barriers often stem from internal factors—stay calm and objective during communication to reduce these.

22. (b) Statement: ‘Directing helps in effective and efficient functioning of the organization.’ Explain this by giving any three points.

Solution (b): Directing is the process of instructing, guiding, and motivating employees toward achieving organizational goals. It plays a vital role in the functioning of an enterprise.

- **1. Initiates Action:** Directing initiates action by enabling employees to understand their tasks and responsibilities. Without direction, other managerial functions remain ineffective.
- **2. Integrates Efforts:** It integrates the activities of employees by unifying their goals with the organization’s objectives.
- **3. Ensures Efficiency and Stability:** Good direction ensures timely completion of tasks, increased productivity, and organizational stability.

Quick Tip

Directing is the heart of management—it connects planning with execution.

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

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

Solution: (i) **Method of Training:** The method used is **Vestibule Training**. In this method, training is provided using equipment identical to those used at the actual workplace. It helps trainees develop proficiency before they actually start the job.

(ii) **Advantages:**

- Trainees get hands-on experience in a controlled environment, reducing the risk of errors on the job.
- It builds confidence and reduces the learning curve when the real task begins.

Quick Tip

Vestibule training is a simulation-based technique to ensure safe and effective skill acquisition

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

OR

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

Solution: (a) **Contract Note:** It is a written agreement issued by a stockbroker to a client detailing the shares bought/sold on their behalf. It serves as proof of a transaction.

T+2 System: It means settlement of trade takes place on the second business day after the trade date (T).

Quick Tip

T+2 is the standard settlement cycle in Indian stock exchanges ensuring timely trade execution.

(b) **Three Regulatory Functions of SEBI:**

- **1. Regulates Stock Market:** SEBI monitors and regulates stock exchanges to ensure investor protection.
- **2. Controls Insider Trading:** It prohibits unfair trade practices and misuse of confidential information.
- **3. Regulates Mutual Funds:** SEBI oversees the functioning of mutual funds to maintain transparency.

Quick Tip

SEBI = Securities + Efficiency + Balanced Investment (Mnemonic for role clarity)

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

- (i) Customer support services
- (ii) Product designing and development

OR

(b) Explain 'Advertising' and 'Personal Selling' as tools of promotion used by the marketers.

Solution: (a)

- **(i) Customer Support Services:** These include after-sales services, feedback handling, grievance redressal, installation, and maintenance that improve satisfaction and brand loyalty.
- **(ii) Product Designing and Development:** Refers to creating products based on consumer needs and preferences. A well-designed product attracts buyers and sustains demand.

(b)

- **Advertising:** A paid form of promotion used to create awareness and persuade customers using print, digital, or visual platforms.
- **Personal Selling:** Involves face-to-face interaction with potential customers to understand their needs and close sales. Effective for technical or expensive products.

Quick Tip

Think "Pull" for Advertising and "Push" for Personal Selling.

26. Vibhas recently joined as a Human Resource Manager of 'Bajanta Enterprises'. The company had embarked on a special project for which Vibhas had appointed twenty new employees. After the employees underwent on-the-job training for a month and had been on the job for some time, there was a need to evaluate their performance against certain

pre-determined standards. Not only this, 'Bajanta Enterprises' had to address the career related issues and promotional avenues for their employees. Vibhas was designing activities to serve their employees' long-term interests. By doing this, 'Bajanta Enterprises' had completed the two important steps of staffing process. Identify and explain those steps.

Solution: Staffing Process Steps in Bajanta Enterprises:

- **1. Performance Appraisal:** The step where employee performance is assessed against pre-set standards to determine productivity and need for improvement.
- **2. Career Planning and Promotion:** This step ensures employees are guided and promoted to meet their career aspirations while fulfilling organizational goals.

Quick Tip

Appraisal tells where an employee stands, and career planning tells where they can go.

27. (a) Explain any four limitations of "Planning".

OR

(b) Explain any four points of importance of "Organising".

Solution: (a) Four Limitations of Planning:

- Planning leads to rigidity
- Cannot cope with dynamic environment
- Reduces creativity
- Involves high cost and time

(b) Four Points of Importance of Organising:

- Specialization
- Clarity in working relationships
- Optimum resource utilization
- Growth and expansion facilitated

Quick Tip

Planning is future-focused, but organizing builds the structure to achieve it.

28. State any four functions performed by consumer organizations and non-governmental organizations for protecting and promoting the interest of consumers.

Solution: Functions by Consumer Organizations and NGOs:

- Educating consumers about rights
- Publishing consumer awareness journals
- Conducting product testing
- Legal assistance against exploitation

Quick Tip

Consumer bodies = Education + Protection + Redressal + Testing (Mnemonic: EPRT)

29. ‘Leno’ is a reputed car manufacturing company, which is going to complete its 75 years in October 2024. The Chief Executive Officer of the company decided to take the company to a higher level. For this he called a meeting of all departmental heads of the company. In the meeting, the Chief Executive Officer proposed a target to increase sales by 10 percent and profits by 20 percent in its Platinum Jubilee year. The Human Resource Manager estimated that an increase of 500 workers would be required to achieve the target. The Finance Manager suggested that the company must hold adequate cash balances for various purposes, and he will prepare a statement showing the estimated cash inflows and outflows for this particular period.

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

Solution: ‘Types of Plans in the Leno Case:

- **Strategy:** The CEO’s decision to increase sales by 10% and profits by 20% is a strategic plan. It’s a long-term broad vision to enhance growth.

- **Operational Plan/Budget:** The Finance Manager's preparation of cash inflow-outflow statements reflects an operational plan that supports the broader strategy.

Quick Tip

Strategy sets the destination; operational plans pave the road to get there.

30. Arushi successfully runs a bookstore 'Children's Delight' catering to children of the age group of 5 – 15 years. They have the complete range of children's books like activity books, colouring books, fiction and much more. The books are of good quality and are highly appreciated by schools, parents and children. They have 16 stores all over India, where children can not only purchase the books, but can also come and read, and participate in quiz competitions and experience the joy of reading. They have their own well-managed inventory management, storage, and warehousing to deliver books to locations all over India. The bookstore regularly communicates the availability, features, merits, etc. of the books to target customers and persuades them to buy the books.

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

Solution: Elements of Marketing Mix in Addition to Product:

- **Place:** *"They have 16 stores all over India, where children can not only purchase the books... They have their own well-managed inventory management, storage, and warehousing to deliver books to locations all over India."*

This line highlights the element of **Place** in the marketing mix. 'Place' refers to the distribution strategy used by a business to make the product accessible to its customers. Arushi has ensured wide availability of her books by opening 16 stores across the country and supporting them with efficient warehousing and logistics. This helps in reaching the target market effectively and enhances customer convenience. It shows how proper placement of product impacts visibility, accessibility and customer reach.

- **Promotion:** *"The bookstore regularly communicates the availability, features, merits, etc. of the books to target customers and persuades them to buy the books."*

This line reflects the element of **Promotion** in the marketing mix. Promotion involves

all the activities undertaken by a firm to make its product known to the customers and persuade them to purchase it. Arushi uses promotional efforts to inform customers about the qualities, features and availability of the books. This may include advertisements, in-store promotions, word-of-mouth publicity, or participation in quiz competitions that not only attract children but also enhance brand image. Promotion builds awareness and drives customer engagement and sales.

Quick Tip

A well-balanced marketing mix consists of the 4Ps: Product, Price, Place, and Promotion. In this case, while 'Product' is clearly highlighted through the quality and variety of books, both 'Place' and 'Promotion' are effectively used to create customer value and deliver satisfaction.

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

- (i) Time study
- (ii) Method study
- (iii) Differential piece wage system

OR

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

- (i) Universal applicability
- (ii) Formed by practice and experimentation
- (iii) Flexible

Solution” (a) Techniques of Scientific Management:

- **Time Study:** Time study is a technique used to determine the standard time required to perform a well-defined job. It involves close observation and recording of time taken by workers for different tasks under standard conditions. This helps in setting performance standards, minimizing time wastage, improving productivity, and determining fair

workload for employees. For example, if assembling a toy takes 10 minutes, then in one hour, ideally, 6 toys should be assembled.

- **Method Study:** Method study is conducted to identify the most efficient way to perform a particular task. It involves comparing various methods or techniques used in production to find the best and most economical one. The focus is on minimizing unnecessary movements, reducing fatigue, and improving overall efficiency of material handling, machine operations, and human efforts.
- **Differential Piece Wage System:** Introduced by F.W. Taylor, this technique involves different wage rates for efficient and inefficient workers. Workers who achieve or exceed the set standard of output receive a higher wage rate, whereas those who fail to meet the standard receive a lower wage rate. This system encourages employees to improve performance through monetary incentives and promotes productivity.

OR

(b) Features of Principles of Management:

- **Universal Applicability:** Management principles are applicable to all types of organizations—business or non-business, large or small, public or private. For instance, the principle of division of work applies equally to a manufacturing company and a hospital. This universal nature makes these principles highly useful across diverse scenarios.
- **Formed by Practice and Experimentation:** These principles are not arbitrary. They are developed through careful observation, analysis, and experimentation by management experts. For example, Henri Fayol's principles were developed through his own experience and studies over time. They reflect consistent managerial truths backed by logic and evidence.
- **Flexible:** Management principles are not rigid like laws of physics. They offer general guidelines and can be adapted as per the need of the situation. Managers can modify their application according to organizational needs, business environment, or employee behavior. This makes them practical tools for decision-making.

Quick Tip

Scientific management focuses on efficiency through methods and measurement. Principles of management act as broad, adaptable guidelines that work in real-world organizational settings.

32. (a) Explain the following factors affecting the requirement of fixed capital of a company:

- (i) Choice of technique
- (ii) Financing alternatives
- (iii) Growth prospects

OR

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

- (i) Cost of equity
- (ii) Control
- (iii) Stock market conditions

Solution: (a) Factors Affecting Requirement of Fixed Capital:

- **Choice of Technique:** The capital required by a business largely depends on whether it chooses capital-intensive or labour-intensive techniques. A capital-intensive enterprise (such as an automobile plant with automated assembly lines) would require more investment in fixed assets like machinery, equipment, and buildings. In contrast, labour-intensive businesses (like handloom weaving) require relatively lower fixed capital as they rely more on human labour than machines.
- **Financing Alternatives:** Availability of leasing or renting facilities can significantly reduce the need for huge investments in fixed assets. For example, if machinery can be taken on lease rather than purchased outright, the requirement of fixed capital reduces. Similarly, businesses may outsource functions such as transportation, which otherwise would have required purchasing trucks or vans.

- **Growth Prospects:** Companies with higher growth potential generally require greater fixed capital. A firm anticipating expansion or diversification in near future may invest in additional plant capacity, land, or advanced technology in advance. A start-up aiming to scale quickly across markets will likely need higher initial investment in fixed infrastructure.

OR

(b) Factors Affecting Choice of Capital Structure:

- **Cost of Equity:** Although equity capital is a permanent source of funds, it is also considered costlier than debt. This is because dividends are not tax-deductible (unlike interest), and shareholders expect higher returns due to higher risk. Firms must balance this cost while determining their capital mix.
- **Control:** Issuing more equity shares may dilute the control of existing shareholders, especially promoters. Therefore, if the current owners wish to retain complete control of the firm, they may prefer debt financing even if it's costlier. Capital structure thus depends on the extent to which promoters are willing to share ownership.
- **Stock Market Conditions:** During a bullish market, companies may prefer to raise capital through equity because investors are willing to invest and market valuations are high. In contrast, during a bearish or volatile phase, it becomes difficult to raise equity, so firms may opt for debt instead. Thus, market sentiment significantly influences capital structure decisions.

Quick Tip

Fixed capital is about "what you buy"; capital structure is about "how you fund it". Both decisions must be aligned with long-term goals and risk preferences of the business.

33. 'Rewton Ltd.' was a reputed computer software company providing unique software all over India. The turnover of the company was very high resulting in good profits. The Chief Executive Officer, Vihaan, was very strict and disciplined. He specified the boundaries of authority and responsibility for achieving organizational goals. There was systematic

coordination among the various activities and specific relationships among various job positions. The company provided facilities like a canteen, a gym, a library, a music room, and a rest area for its employees, which they could use during rest intervals. Using these facilities, the employees developed friendships and discussed not only their personal, social and emotional issues, but also the official ones.

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

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

Solution: (i) Type of Organisation: Informal Organisation

The type of organisation highlighted in the case is the **Informal Organisation**. It refers to the network of social relationships that naturally form among employees within a formal organisational structure. These relationships are not defined by the official hierarchy but develop based on shared interests, friendships, and emotional bonds.

Line from the case: “Using these facilities, the employees developed friendships and discussed not only their personal, social and emotional issues, but also the official ones.”

This shows that the CEO, Vihaan, recognised the importance of informal communication and relationships in building a collaborative and emotionally healthy workplace. Informal organisation helps in fulfilling the social and emotional needs of employees and supplements the formal organisation by facilitating faster communication and mutual support.

(ii) Advantages and Disadvantages of Informal Organisation:

Advantages:

- **Faster Communication:** Informal networks enable quick sharing of ideas and information, especially across departments or hierarchies, without going through formal channels. This improves responsiveness and coordination.
- **Social Satisfaction and Team Spirit:** It satisfies the social needs of employees by fostering a sense of belonging, trust, and emotional support. This can result in improved morale and reduced stress at the workplace.

Disadvantages:

- **Spreads Rumours:** Because the communication in informal networks is unstructured, it may lead to the spreading of rumours or misinformation, which can cause misunderstandings and reduce efficiency.
- **Resistance to Change:** Strong informal groups can sometimes create resistance to change. If the group as a whole is not convinced, they may collectively oppose new policies or organisational reforms, as mentioned in the case.

Quick Tip

Informal organisation works in the background of the formal structure. While it is not officially recognised, it can greatly influence employee morale, speed of communication, and even organisational change.

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

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

Solution: (i) Function of Management: Controlling

The function of management being discussed here is **Controlling**. Controlling refers to the process of monitoring actual performance, comparing it with planned standards, identifying deviations, and taking corrective actions to ensure the achievement of organisational goals.

Line from the case: “Nishtha would take a weekly report from all the Restaurant Managers and take necessary action to resolve the problems, if any.”

This indicates that she was regularly reviewing the actual performance of different restaurant units and intervening when deviations were observed — which clearly reflects the controlling function.

(ii) Step of Controlling Followed by Nishtha: Analysing Deviations

The step of controlling followed by Nishtha is **Analysing Deviations**. After receiving reports and observing a decline in sales in one restaurant, she did not ignore the matter. Instead, she questioned the manager and decided to investigate further.

Line from the case: “So, Nishtha formed a team to find out the causes of the declining customers. . .”

This means she analysed the difference between the actual performance (declining customers and sales) and the standard (expected consistent performance) and sought to find the root causes of deviation. Analysing deviations is a crucial step as it helps in identifying which deviations are critical and need urgent managerial attention (strategic deviations).

(iii) Step to be Taken After Receiving the Report: Taking Corrective Action

Once Nishtha receives the report from the team, the next logical step in the controlling process is **Taking Corrective Action**. Based on the findings of the investigation team, she will initiate appropriate measures to address the causes of declining customers.

Corrective actions may include steps such as improving service quality, changing the restaurant staff, enhancing marketing efforts, improving hygiene, or revising the menu and

pricing — depending on what the root causes were.

Taking timely and effective corrective actions ensures that the organisation stays on track towards achieving its planned goals and eliminates the gap between actual and expected performance.

Quick Tip

Controlling is a forward-looking function — it not only checks past performance but also ensures future success by enabling timely corrective action based on reliable feedback and analysis.