

# CBSE Business Studies Question Paper With Solutions

SET 3 - 66/3/3

**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.** 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:**

The case highlights how motivation can take both positive and negative forms. When employees are rewarded with pay, promotions, and recognition, it's a form of positive

motivation. Conversely, when employees are threatened, punished, or denied increments, it's a form of negative motivation. Both approaches are aimed at influencing employee behavior, hence demonstrating the feature that motivation can be either positive or negative.

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

#### Quick Tip

Motivation can push people to act through both rewards and penalties — both are tools depending on managerial style.

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2. '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:**

'Bonfast Cement Ltd.' is providing services and facilities like housing, water, and health to surrounding villages. These activities are not intended to generate direct profits, but are aimed at improving society's well-being. Hence, they fall under social objectives of management, which include contributing to the quality of life and environmental protection.

**Final Answer:** (B) Social objective

#### Quick Tip

Corporate Social Responsibility (CSR) falls under social objectives — companies must go beyond profits.

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3. 'Maslow's Need Hierarchy theory' is based on certain assumptions.

Identify the **incorrect** statement with respect to these assumptions:

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

**Correct Answer:**

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

**Solution:**

Maslow's theory asserts that human needs follow a hierarchy — from physiological to self-actualisation. The correct interpretation is that a person progresses to a higher level only when the lower level is fulfilled. However, statement (D) incorrectly reverses this idea by suggesting a person regresses to lower needs when higher ones are satisfied, which contradicts Maslow's assumption.

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

**Quick Tip**

Maslow's model is an upward progression — once lower needs are met, we move up, not down.

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4. \_\_\_\_\_ 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 technique used to enhance the job role by adding more meaningful content, complexity, and opportunities for personal growth. It aims to increase employee motivation and satisfaction by offering autonomy, challenge, and skill development. This aligns perfectly with the given definition.

**Final Answer:** (D) Job enrichment

**Quick Tip**

Job enrichment motivates employees intrinsically — by making the work itself more fulfilling.

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

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

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

(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:**

The allocative function of financial markets ensures that funds flow into businesses or areas where they will be used most efficiently. When this function is working effectively, it helps the economy by investing in the most productive ventures, which increases overall output.

Hence, both statements are true and the Reason correctly explains the Assertion.

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

#### Quick Tip

Allocative function = Right funds to the right hands — it's how finance boosts productivity in the economy.

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9. 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:**

A stock exchange provides several key functions such as offering liquidity to existing securities, promoting the equity culture among the public, and ensuring the safety and transparency of transactions. However, it cannot ensure that there is no scope for speculation. Speculation is an inherent part of stock market activity, where buyers and sellers make decisions based on market expectations. While regulatory measures are in place to curb excessive or unethical speculation, eliminating it entirely is neither practical nor the role of a stock exchange.

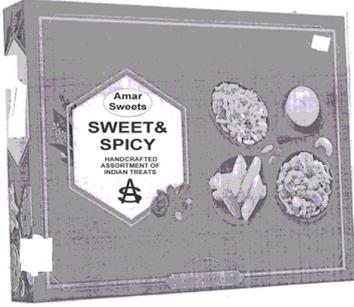
Hence, option (D) is not a function of a stock exchange.

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

#### Quick Tip

Stock exchanges facilitate trading and ensure fair play — but some level of speculation is unavoidable in such markets.

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



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

**Correct Answer:**

- (D) Both Brand Name and Brand Mark

**Solution:**

The image shows a product label reading “SWEET SPICY” from “Amar Sweets” along with a distinctive visual symbol/logo. A **Brand Name** refers to the verbal component — the written words “SWEET SPICY”. A **Brand Mark** refers to the visual element or symbol (like the logo shown) which helps in identification of the brand without using words. Therefore, since both a verbal name and a visual logo are present in the picture, it depicts both brand name and brand mark.

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

#### Quick Tip

Brand name = words you can say. Brand mark = symbol you can see. If both are there, choose both!

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11. 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 case highlights a shift in consumer behavior and lifestyle due to increasing participation of women in the workforce. The company is responding by aligning its marketing strategy — offering Friday discounts — to meet the needs of working women who prefer shopping on weekends. This reflects how businesses adjust according to societal norms, preferences, and demographics.

This adaptation is directly linked to the **social environment**, which includes trends in population, lifestyle, education level, gender roles, and cultural values.

**Final Answer:** (A) Social environment

#### Quick Tip

Any reference to lifestyle changes or cultural/social habits of people — think “Social Environment”!

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**12. Statement I :** The objective of financial management is to maximize shareholders’ wealth.

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

Choose the correct option from the following:

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

**Correct Answer:**

- (C) Both the Statements are true.

**Solution:**

Statement I correctly identifies the primary objective of financial management — which is to maximize the wealth of shareholders. This is often accomplished by making sound

investment, financing, and dividend decisions that increase the value of the business and, consequently, the market value of its shares.

Statement II is also true because shareholders benefit directly when the market value of shares increases. The value of a company's shares reflects its profitability and future prospects. As these improve, the share price tends to rise, leading to capital gains for shareholders. These gains form a significant component of shareholders' wealth.

Therefore, both the statements are logically sound and reflect the correct understanding of financial management objectives and shareholder benefits.

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

#### Quick Tip

Shareholder wealth increases when share prices rise — and that's the goal of financial management!

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

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

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

**Correct Answer:**

- (C) Social objective

**Solution:**

In this case, Panmol Dairy is focusing on adopting eco-friendly methods (Bilona method) and simultaneously generating rural employment. Both of these actions reflect a commitment to the well-being of society and the environment. Such actions are aligned with the **social objectives of management**, which include contributing to community

development, reducing pollution, and promoting ethical practices.

Instead of prioritizing just profits or national development (like contributing to GDP or exports), the company is choosing a path that fulfills its duty towards society — especially vulnerable and underprivileged groups. Hence, the emphasis on social welfare clearly indicates that the correct answer is “Social objective.”

**Final Answer:** (C) Social objective

#### Quick Tip

If the focus is on helping society, environment, or rural population — it’s a Social Objective!

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

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

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

**Correct Answer:**

- (B) Right to be informed

**Solution:**

The law requires detailed information to be printed on product labels — such as ingredients, manufacture and expiry dates, price, usage instructions, etc. This empowers the consumer to make informed choices and protect themselves from deception and harm.

The right being protected here is the **Right to be informed**, which ensures that the consumer gets complete and accurate information about the product they are purchasing. This transparency allows the consumer to assess quality, safety, and suitability of the product before buying it.

**Final Answer:** (B) Right to be informed

**Quick Tip**

Whenever the question mentions “labels” or “product info” — think of the Right to be Informed!

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

The factor affecting Dividend Decision being highlighted above is:

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

**Correct Answer:**

- (D) Stability of dividends

**Solution:**

Although the company experienced a sudden increase in profit due to a one-time project, the Finance Manager chose not to increase dividends. This decision reflects the desire to maintain a stable dividend policy instead of reacting to temporary fluctuations in earnings. This scenario highlights the factor of **Stability of Dividends**, which means companies prefer to keep dividends consistent rather than increasing or decreasing them based on one-time or short-term changes in profitability. This helps to build investor confidence and maintain financial predictability for shareholders.

**Final Answer:** (D) Stability of dividends

### Quick Tip

A temporary spike in profits should not disrupt stable dividend policy — that's Stability of Dividends!

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

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

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

**Correct Answer:**

- (C) Respecting the environment

**Solution:**

Niyati's behavior emphasizes environmental responsibility — a key duty of every consumer. By discouraging littering, educating children about pollution, and carrying a bag to dispose wrappers properly, she is fulfilling her role as a responsible consumer who **respects the environment**.

This action aligns with the broader social responsibility that consumers must not only demand safe and ethical products but also contribute towards keeping their surroundings clean and sustainable.

**Final Answer:** (C) Respecting the environment

### Quick Tip

Actions to prevent pollution or keep the environment clean = Consumer's duty to respect the environment!

**17. 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 accurately defines leadership as the ability to influence others. A leader motivates, guides, and directs team members toward achieving common organizational goals. This influence can be formal or informal and plays a crucial role in ensuring coordinated effort within a team or department.

Statement II, however, is incorrect because true leadership is not about achieving personal goals but about aligning the group's efforts toward shared organizational objectives. When leadership is used solely to achieve personal gains, it turns into manipulation, which is not the intent of genuine leadership. Hence, the purpose of leadership is to achieve collective and ethical goals — not self-serving ambitions.

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

#### Quick Tip

Leadership = Influencing others for a common goal, not for selfish personal aims!

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**18.** 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:**

The scenario highlights how organizations evolve and adapt based on external environmental changes, such as technological shifts and consumer preferences. The movement towards a strong presence on social media platforms like Facebook and Instagram is a clear example of adjusting to modern market dynamics.

This is reflective of the feature that **Management is a dynamic function**. Being dynamic means that management is not static — it must respond to internal and external stimuli such as market changes, competition, government policies, and new technologies. A dynamic manager continuously updates strategies and processes to remain relevant and competitive.

**Final Answer:** (D) Management is a dynamic function.

#### Quick Tip

If the case talks about adapting or changing — think “Dynamic function” of management!

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**19.** Raunaq, while studying at the university, felt that there should be a food joint in the university campus to provide food to students round the clock. After passing out of college, he set up ‘Hunger Point’, a food joint with a varied menu ranging from burgers, pizzas, street food and much more, in the university campus. For this, he obtained necessary permissions from the university administration. Since he was the first one to recognize the need for a food joint for all the students in an environment where students study day and night, it soon became a popular eating joint. Within six months, ‘Hunger Point’ started earning good profits.

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

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

(D) It helps in improving performance.

**Correct Answer:**

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

**Solution:**

In the case of Raunaq and ‘Hunger Point’, he recognized an unmet need in the university campus — the absence of a food joint operating round the clock. By being observant and proactive, he was able to spot a business opportunity before others did. He capitalized on this gap in the environment and launched his venture quickly, gaining the trust and popularity of the student community.

This is a textbook example of the benefit of business environment — it **enables a firm to identify opportunities and gain first mover advantage**. The first mover gets to establish the brand, build a customer base, and create loyalty, making it harder for new entrants to compete.

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

#### Quick Tip

Spotting a market gap early and acting on it = First mover advantage!

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

(A) The two largest denomination notes of 500 and 1000 were demonetized with immediate effect, ceasing to be legal tender except for buying properties.

(B) The aim of this step was to curb corruption and accumulation of black money.

(C) It led to the tax administration channelizing savings into the formal financial system.

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

**Correct Answer:**

(A) The two largest denomination notes of 500 and 1000 were demonetized with immediate effect, ceasing to be legal tender except for buying properties.

**Solution:**

Statement (A) is incorrect because, although the 500 and 1000 notes were indeed

demonetized with immediate effect, the claim that they remained legal tender for buying properties is wrong. In fact, demonetized notes ceased to be legal tender for any transaction, including property purchases. The government provided limited exemptions for specific transactions (like hospital bills, petrol pumps) for a short duration — but not for property purchases.

All the other statements are accurate: - (B) Curbing corruption and black money was a stated objective. - (C) Demonetization encouraged people to deposit money into formal channels, increasing tax transparency. - (D) Temporary restrictions on withdrawals and deposits were indeed imposed.

**Final Answer:** (A)

#### Quick Tip

Look for technical inaccuracies — demonetized notes weren't valid for property purchases!

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

**OR**

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

**Correct Answer:**

Attempt (a) or (b) as per your choice. Sample answer for both parts is provided.

**Solution:**

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

A **Contract Note** is a legally binding document issued by a stockbroker to a client after execution of a trade. It serves as proof of the transaction and contains all the essential details like the number of shares bought or sold, price, date, brokerage charges, taxes, and settlement details.

The **T+2 system** refers to the settlement cycle where "T" stands for the trading day and "+2" means that the settlement (transfer of securities and funds) will be completed within 2 business days after the trade date. For example, if you buy a share on Monday, it will be credited to your demat account by Wednesday (assuming no holidays in between).

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

1. **Regulation of Stock Exchanges:** SEBI ensures that stock exchanges operate in a fair and transparent manner, protecting investor interests.
2. **Regulation of Mutual Funds and Portfolio Managers:** SEBI formulates guidelines to regulate the operations of mutual funds and other investment institutions.
3. **Prohibition of Insider Trading:** SEBI actively monitors and prohibits the misuse of unpublished price-sensitive information to maintain market integrity.

**Final Answer:** Attempt either (a) or (b) with complete explanation.

**Quick Tip**

In stock markets, “T” means trading day; “T+2” means settlement happens two days later!

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

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

**Correct Answer:**

- (i) Vestibule Training
- (ii) (a) Develops proficiency without risk  
(b) Enhances confidence and performance

**Solution:**

(i) The method of training described is **Vestibule Training**. In this method, training is provided using the actual equipment that the employees will use on the job, but in a setting that is separate from the real workplace. This helps the trainees to gain experience in a controlled environment without the fear of causing damage or risk.

For pilots, this means getting hands-on training in a simulator or a specially designated aircraft without carrying passengers or cargo. They become familiar with aircraft handling, safety protocols, and emergency procedures in a risk-free setting.

(ii) Two advantages pilots get from vestibule training:

- **Safe learning environment:** Pilots can make mistakes and learn from them without any real-life consequences, which is vital in aviation training.
- **Increased confidence and skill:** Continuous practice on real or simulated aircraft builds technical proficiency and confidence before actual flights.

**Final Answer:** Vestibule training; Key benefits — safety and improved skills.

#### Quick Tip

Training on actual equipment but off the job = Vestibule Training!

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

**OR**

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

**Correct Answer:**

(a) Psychological barriers: Premature evaluation, lack of attention, and distrust

**Solution:**

(a) Psychological barriers arise from the state of mind of either the sender or the receiver.

These barriers reduce the effectiveness of communication:

1. **Premature Evaluation:** When the receiver forms an opinion before the message is completely conveyed, it leads to misunderstanding or rejection of the message.
2. **Lack of Attention:** If the receiver is not mentally focused or is distracted, the message is not fully received, leading to gaps in understanding.
3. **Distrust:** If there is a lack of trust between sender and receiver, messages are often misinterpreted or ignored.

These barriers can severely disrupt the communication process within an organization.

**Final Answer:** Premature evaluation, lack of attention, and distrust are key psychological barriers.

### Quick Tip

Mental state = communication barrier! Focus on trust and attention to reduce them.

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

But they learned from their mistakes and continuously improved their product. Slowly, their software gained recognition for its quality and uniqueness and the company started making profits. It was a big incentive for Sana and Mihir for the continued successful operation of the enterprise. Within two years, the customer base increased manifold. Now, Sana and Mihir decided to make additional capital investment and hired more employees. They invested in research and development and expanded their product line to meet emerging market demands. 'Quick Solutions' ultimately became the industry leader because of the tireless efforts of Sana and Mihir.

Quoting lines, identify and state the objectives of management discussed in the above case.

**Correct Answer:**

Organisational, Personal, and Social objectives

**Solution:**

Three objectives of management identified in the case are:

- **Organisational Objective:** The aim to earn enough revenue, improve product quality, and meet market demands reflects the organizational objective.  
(Quote: "Quick Solutions' was earning enough revenue to cover the costs... expanded their product line to meet emerging market demands.")
- **Personal Objective:** Ensuring job satisfaction and motivation for founders and employees indicates the personal objective.  
(Quote: "It was a big incentive for Sana and Mihir for the continued successful operation... hired more employees.")

- **Social Objective:** Meeting the needs of all sections and contributing useful software products points to social responsibility.

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

**Final Answer:** The case demonstrates all three major objectives of management.

#### Quick Tip

Management balances goals — Organization, Employees, and Society!

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

- (i) Standardisation and Grading
- (ii) Transportation

**OR**

(b) Explain any two components included in physical handling and movement of goods from place of production to the place of distribution.

**Correct Answer:**

- (a) Standardisation and Grading; Transportation

**Solution:**

(i) **Standardisation and Grading:** Standardisation means setting uniform specifications for products (such as size, quality, packaging). Grading involves categorizing products based on certain features or quality levels (like Grade A, B, etc.). These functions help in building consumer trust and ease of comparison.

(ii) **Transportation:** This function ensures that goods are moved efficiently from the place of production to the place of consumption. It reduces geographical barriers and ensures timely delivery of goods to various markets.

**Final Answer:** (a) Standardisation/Grading = quality control; Transportation = logistical movement.

#### Quick Tip

Marketing delivers quality and availability — both need movement and grading!

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

**Correct Answer:**

Strategic Plan and Financial Plan

**Solution:**

**1. Strategic Plan:** The proposal to increase sales by 10% and profits by 20% reflects a strategic, long-term direction for the company. Strategic planning is done by top-level management and involves setting future objectives. (Quote: “CEO proposed a target to increase sales by 10% and profits by 20%...”)

**2. Financial Plan:** The Finance Manager’s estimation of required cash inflows and outflows represents financial planning. It ensures availability and allocation of finances for achieving set targets. (Quote: “Finance Manager... will prepare a statement showing the estimated cash inflows and outflows...”)

**Final Answer:** Strategic + Financial Plans ensure direction and resource management.

**Quick Tip**

Strategy = Big picture; Financial = Money details!

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**27.** (a) Explain any four points of importance of ‘Planning’ function of management.

**OR**

(b) Explain the steps in the process of ‘Organising’ function of management.

**Correct Answer:**

(a) Planning is goal-oriented, reduces uncertainty, promotes innovation, and improves coordination.

**Solution:**

Planning is a crucial function of management due to the following reasons:

- **Provides direction:** It guides employees by setting clear goals and showing the path to achieve them.
- **Reduces uncertainty:** By anticipating future scenarios, planning helps managers be prepared.
- **Encourages innovation:** Planning forces managers to think creatively and strategically.
- **Facilitates coordination:** With defined plans, various departments can work in alignment with each other.

**Final Answer:** Planning = Vision + Preparedness + Alignment.

**Quick Tip**

Planning helps set direction and tackle the future with clarity!

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**28.** State any four reliefs that can be issued to the opposite party when the consumer court is satisfied about the genuineness of the complaint.

**Correct Answer:**

Repair, Replace, Refund, Compensation

**Solution:**

When a consumer court finds the complaint valid, it can issue the following reliefs:

1. **Repair of the defective goods** — The seller may be ordered to fix the product.
2. **Replacement with new goods** — If repair is not possible, a fresh product is to be provided.
3. **Refund of price paid** — The consumer may get full or partial refund.

4. **Compensation for damages** — Additional compensation for suffering or losses may be awarded.

**Final Answer:** Reliefs = Fix, Replace, Refund, or Compensate.

**Quick Tip**

Consumer courts aim to restore rights — repair, replace, or compensate!

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

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

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

**Correct Answer:**

Place and Promotion

**Solution:**

In addition to the ‘Product’ element (books), the two other elements of the marketing mix reflected in the case are:

**1. Place (Physical Distribution):** Place refers to the distribution strategy used by a business to make its products available to consumers. In the case, it is evident from the line: *“They have 16 stores all over India... inventory management, storage, and warehousing to deliver books to locations all over India.”* This showcases the store presence and distribution network that ensures the books reach the target audience efficiently.

**2. Promotion:** Promotion involves communicating with customers about the product’s

features, merits, availability, etc., to persuade them to purchase. This is seen in the line: *"The bookstore regularly communicates the availability, features, merits, etc. of the books to target customers and persuades them to buy the books."* It indicates that promotional strategies like advertisement or personal selling are being used effectively.

**Final Answer:** Place (Distribution) and Promotion (Communication)

#### Quick Tip

Marketing mix = 4 Ps — Product, Price, Place, Promotion. Look for keywords like “store”, “deliver”, “advertise”, or “persuade” to spot Place and Promotion!

**30.** 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 the two important steps of staffing process.

**Correct Answer:**

- (i) Performance Appraisal
- (ii) Career Planning

**Solution:**

Two important steps of the staffing process identified in the case are:

**1. Performance Appraisal:** This refers to evaluating the performance of employees against pre-set standards to ensure they are meeting expectations and goals. (Quote: *"There was a need to evaluate their performance against certain pre-determined standards."*) This step helps in identifying areas of improvement and rewarding efficient employees.

**2. Career Planning and Promotion:** This involves helping employees grow in their careers by identifying promotional opportunities and addressing career-related concerns. (Quote:

”Had to address the career related issues and promotional avenues for their employees.”) It ensures motivation, employee retention, and long-term satisfaction.

**Final Answer:** Performance Appraisal + Career Planning = Employee Growth  
Organizational Efficiency

#### Quick Tip

Staffing isn’t just about hiring — it’s also about reviewing and growing!

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

- (i) Science, Not Rule of Thumb
- (ii) Cooperation, Not Individualism
- (iii) Development of Each and Every Person to His/Her Greatest Efficiency and Prosperity

**Correct Answer:**

Scientific approach, team spirit, and personal development

**Solution:**

- (i) **Science, Not Rule of Thumb:** Taylor emphasized using scientific methods to determine the most efficient way of doing work rather than relying on traditional or hit-and-trial methods. For instance, standardizing tools, work methods, and work environment after careful study increases productivity.
- (ii) **Cooperation, Not Individualism:** Taylor advocated for a harmonious relationship between workers and management. Workers should be treated as partners in progress, not as adversaries. There must be mutual understanding and open communication.
- (iii) **Development of Each Person to Their Efficiency:** Taylor believed in the systematic training and development of workers so that they could perform to the best of their abilities. This leads to both personal growth and increased prosperity for the organization.

**Final Answer:** These principles aim to increase productivity, foster cooperation, and improve individual potential.

#### Quick Tip

Scientific Management = Logic, Teamwork, and Personal Growth!

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

- (i) Level of competition
- (ii) Production cycle
- (iii) Scale of operations

**Correct Answer:**

Competition, Production Time, and Business Size

**Solution:**

(i) **Level of Competition:** If a firm is in a highly competitive market, it may require additional working capital to offer better customer services, maintain larger inventories, or give credit to customers to stay competitive.

(ii) **Production Cycle:** The time taken to convert raw materials into finished goods affects working capital. Longer production cycles need more funds tied up in inventory, increasing working capital needs.

(iii) **Scale of Operations:** Large-scale businesses need more working capital to manage raw materials, production, and distribution. Bigger firms typically maintain greater inventories and have higher overheads.

**Final Answer:** More competition, longer production, and large operations = higher working capital.

**Quick Tip**

More time, size, or rivalry? Think higher working capital!

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**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 organization identified in (i) above.

**Correct Answer:**

(i) Informal Organisation

**Solution:**

(i) The type of organisation highlighted in the case is the **Informal Organisation**. It refers to the network of social relationships which spontaneously arise due to interaction at work.

Unlike formal organisation, it is not established by management but rather evolves naturally among employees. The Chief Executive Officer believed that this informal structure is crucial as it helps employees build bonds of trust and allows for the smooth flow of information through social channels, which can aid the overall productivity and morale of the workforce.

(ii) **Advantages:**

- **Faster Communication:** Informal organisation allows for the faster and more candid exchange of information as employees feel more free to communicate beyond hierarchical barriers.
- **Social Satisfaction:** It fulfills the social needs of employees, giving them a sense of

belonging, friendship, and mutual support, which helps in building team spirit.

**Disadvantages:**

- **Spread of Rumours:** Because informal organisation is not structured, it can become a source of misinformation or rumours that might affect workplace discipline and harmony.
- **Resistance to Change:** Groupism and social bonding may sometimes lead employees to collectively resist organisational change, even if it is beneficial to the firm.

**Final Answer:** (i) Informal Organisation

**Quick Tip**

Whenever you see words like “friendships at work,” “social network,” or “group discussions,” think of the Informal Organisation!

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**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.

**Correct Answer:**

(i) Controlling

**Solution:**

(i) The function of management being discussed in the case is **Controlling**. It is the process of ensuring that actual performance conforms to planned performance. It involves setting performance standards, measuring actual performance, comparing the two, and taking corrective actions if deviations are observed.

(ii) The step followed by Nishtha to find out the causes of the declining revenue is **Analyzing Deviations**. In this step of controlling, the actual performance (sales figures) is compared with the set standards or expected performance. Nishtha noticed a decline in sales and formed a team to investigate this discrepancy. This is the essence of analyzing deviations—identifying why the deviation occurred and evaluating its seriousness.

(iii) The next step Nishtha will take after receiving the team’s report is **Taking Corrective Action**. This step is critical in restoring performance back to desired levels. Depending on the identified causes (such as poor service, hygiene issues, lack of promotional efforts, etc.), Nishtha would implement strategies like employee training, marketing campaigns, operational changes, or customer engagement programs to resolve the issue and prevent further loss.

**Final Answer:** (i) Controlling

**Quick Tip**

If a case involves comparing actual results to expected ones and taking action for improvement — it’s always “Controlling”!