

CBSE Business Studies Question Paper With Solutions

SET 1 - 66/4/1

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. A multinational sweets and snacks company had been into catering business for the last many years. To add to its prospects and to grow in the long run, it wants to increase its sales volume, the number of products and capital investment.

The organisational objective of management it seeks to achieve is :

- (A) Survival
- (B) Profit
- (C) Growth
- (D) Corporate Social responsibility

Correct Answer:

- (C) Growth

Solution:

The objective mentioned in the case clearly relates to the future-oriented aim of the business. When a business wants to increase its sales volume, expand the number of products, and

invest more capital, it is targeting long-term expansion and development. This is a classic representation of the "Growth" objective of management.

Organizational objectives are usually categorized into survival, profit, and growth.

- Survival is basic and immediate, ensuring the firm can continue operations.
- Profit is necessary to sustain operations and satisfy stakeholders.
- Growth is about scaling the business — more revenue, more products, and more market share.

Hence, the desire of the company to increase volume, variety, and investment clearly shows that the company has already achieved survival and profit and is now aiming for expansion — i.e., growth.

Final Answer: (C) Growth

Quick Tip

When a company emphasizes expansion in sales, product range, and capital, it's aiming at growth — a long-term strategic objective.

2. With respect to levels of management choose the incorrect statement from the following:

- (A) Operational level management is responsible for maintaining safety standards in the organisation.
- (B) At middle level management, managers ensure that their department has the necessary personnel.
- (C) Chief Executive officer at Top Level management is responsible for all activities of first line managers.
- (D) Top level management is responsible for all the activities of the business and for its impact on the society.

Correct Answer:

- (C) Chief Executive officer at Top Level management is responsible for all activities of first line managers.

Solution:

The question requires identification of the incorrect statement regarding levels of

management. Let's assess each option:

(A) Operational (lower) level management does handle day-to-day operations, including safety norms and implementation. This is correct.

(B) Middle-level managers act as a bridge between top and operational levels. They indeed ensure departments are staffed adequately. This is correct.

(C) This is incorrect. The Chief Executive Officer (CEO), a top-level executive, is responsible for setting vision, direction, and broad strategic decisions, not the direct activities of first-line managers. Direct supervision of operational tasks is the responsibility of middle and lower-level managers, not top-level executives.

(D) Top-level managers are indeed accountable for overall functioning of the business and societal impact. This is correct.

Hence, statement (C) wrongly attributes lower-level managerial responsibilities to the CEO and is therefore the incorrect one.

Final Answer: (C) Chief Executive officer at Top Level management is responsible for all activities of first line managers.

Quick Tip

Top-level managers like CEOs focus on strategy and policy — not day-to-day tasks handled by first-line managers.

3. 'Merely allocating work is not enough. Each individual should also know who he has to take orders from and to whom he is accountable'.

The above statement is related to one of the steps of organising process. Identify the step from the following:

(A) Identification and division of work

(B) Departmentalisation

(C) Assignment of duties

(D) Establishing authority and reporting relationship

Correct Answer:

(D) Establishing authority and reporting relationship

Solution:

The statement refers to clarity of hierarchy — i.e., who reports to whom and who is authorized to direct whom. This is a classic feature of the "Establishing authority and reporting relationship" step in the organizing function of management.

Let's break down each step of organizing:

- (A) Identification and division of work: Means splitting work into smaller tasks.
- (B) Departmentalisation: Grouping similar jobs into departments.
- (C) Assignment of duties: Assigning tasks to employees.
- (D) Establishing authority and reporting relationship: Creating formal structure by defining lines of authority, responsibility, and communication.

The key phrase in the question is "who he has to take orders from and to whom he is accountable," which points clearly to step (D).

Final Answer: (D) Establishing authority and reporting relationship

Quick Tip

Organising includes defining hierarchy—who reports to whom. That's the authority and reporting relationship.

4. _____ is the step in the controlling process where standards may have to be revised in case the deviation can not be corrected through managerial action.

- (A) Setting Performance Standards
- (B) Measurement of Actual performance
- (C) Comparing Actual Performance with standards and analysing deviations
- (D) Taking corrective action

Correct Answer:

- (D) Taking corrective action

Solution:

Controlling is a continuous process consisting of several key steps:

1. Setting standards
2. Measuring actual performance

3. Comparing actual with standards and noting deviations

4. Taking corrective action

In the final step — taking corrective action — the manager evaluates whether deviation can be fixed by employee training, better communication, or resource allocation. But if the deviations persist even after such steps, it may indicate the standard itself is unrealistic or obsolete. In such cases, the standard may be revised.

Thus, it is during the “Taking corrective action” phase that the standards themselves may be reconsidered if corrective actions fail.

Final Answer: (D) Taking corrective action

Quick Tip

If corrective actions don’t work, revise the standard — but only after all adjustments have failed.

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

Assertion (A) : Amount of Earnings is a major determinant of the decision about dividend.

Reason (R) : Dividends are paid out of current and past earnings.

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

Solution:

Dividend decisions are major financial decisions influenced by a company’s earning capacity. Higher earnings generally enable higher dividends, while low or negative earnings restrict them.

Assertion (A) is true because earnings directly affect the company's ability to pay dividends. Reason (R) is also true because dividends are legally and practically distributed from profits — whether retained from the past or newly earned.

Also, Reason (R) logically explains Assertion (A): the amount of dividend that a firm can distribute is limited to the amount of profit it has earned (either current or accumulated).

Hence, earnings are not just a determinant, they are a prerequisite.

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

Quick Tip

Dividends come from profits—so no profit, no dividend. That's why earnings directly determine dividend decisions.

6. 'It is a process that allocates or directs funds available for investment into their most productive instrument opportunity'.

This is known as :

- (A) Financial planning
- (B) Financial Intermediation
- (C) Allocative function
- (D) Capital budgeting

Correct Answer:

- (C) Allocative function

Solution:

The process described in the statement involves channeling financial resources into areas where they can be used most efficiently and productively. This is called the "Allocative Function." It is a key feature of financial management and economic decision-making.

The allocative function ensures that scarce financial resources are directed toward their most productive uses — i.e., investments or instruments that generate the highest return. This includes decisions made by financial institutions, markets, and the government to achieve optimal utilization of capital.

- Financial Planning is about forecasting and budgeting.

- Financial Intermediation refers to the process of banks/financial institutions channeling funds from savers to borrowers.
- Capital Budgeting is about evaluating large investment projects.

But the specific act of choosing the best option for resource use matches the definition of Allocative Function.

Final Answer: (C) Allocative function

Quick Tip

Allocative function is about choosing where to put money for maximum output — a vital part of financial decision-making.

7. Which of the following is NOT a feature of 'Directing' function of management?

- (A) Directing initiates Action.
- (B) Directing takes place at every level of management.
- (C) Directing ensures that activities are performed as per plans.
- (D) Directing flows from top to bottom.

Correct Answer:

- (C) Directing ensures that activities are performed as per plans.

Solution:

The function of directing in management primarily involves guiding, leading, supervising, and motivating employees to achieve organizational goals. Its key characteristics include:

- It initiates action — actual implementation begins with direction.
- It occurs at every level — all levels involve some form of guidance.
- It flows from top to bottom as superiors direct subordinates.

However, the statement that directing ensures activities are performed "as per plans" is inaccurate. That function is primarily associated with "controlling," which involves monitoring performance, comparing it with the plan, and taking corrective action if needed. Thus, Option (C) does not represent a feature of directing.

Final Answer: (C) Directing ensures that activities are performed as per plans.

Quick Tip

"Directing" is about leading people; "Controlling" is about checking performance against plans.

8. Which of the following is an advantage of Informal organisation?

(A) It provides stability to the organisation because behaviour of employees can be fairly predicted since there are specific rules to guide them.

(B) It leads to effective accomplishment of goals by providing a framework for the operations to be performed.

(C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like minded people.

(D) It helps in avoiding duplication of efforts as there is no ambiguity in the role that each member has to play.

Correct Answer:

(C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like minded people.

Solution:

Informal organization refers to the network of personal and social relations that naturally form among people in the workplace. Unlike formal organization, it is not officially recognized or documented.

One key benefit of informal organization is that it improves job satisfaction. People working with friends or like-minded colleagues feel emotionally secure and more connected to their workplace. It helps in social cohesion and builds a healthy work environment.

Other options (A), (B), and (D) describe characteristics of formal organization.

Final Answer: (C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like minded people.

Quick Tip

Informal organisation boosts morale by building trust and friendships — which leads to greater job satisfaction.

9. 'Marbury biscuits' launched its new range of oat cookies in three varieties. They decided to distribute free samples of their biscuits in schools as a part of their promotional campaign. Identify the tool of promotion used by 'Marbury Biscuits':

- (A) Advertising
- (B) Personal Selling
- (C) Sales Promotion
- (D) Public Relations

Correct Answer:

- (C) Sales Promotion

Solution:

Sales promotion refers to short-term incentives offered to stimulate immediate interest and purchase. Free samples, coupons, contests, discounts, and rebates are all common sales promotion techniques.

In this case, Marbury Biscuits distributed free samples — a classic example of sales promotion. It is not advertising (which involves paid messages through mass media), not personal selling (face-to-face persuasion), and not public relations (managing the brand's image).

Final Answer: (C) Sales Promotion

Quick Tip

Free samples = Sales Promotion. They're temporary but powerful tools to get customers to try new products.

10. _____ is the process by which a manager synchronises the activities of different departments.

- (A) Management
- (B) Planning
- (C) Co-ordination
- (D) Directing

Correct Answer:

(C) Co-ordination

Solution:

Coordination is the process of aligning and unifying the efforts of different individuals and departments to achieve organizational objectives efficiently. It ensures that activities are harmonized across functions like production, marketing, finance, etc.

It is often called the “essence of management” because it runs through all managerial functions — planning, organizing, staffing, directing, and controlling.

Thus, coordination enables synergy and avoids duplication or conflict.

Final Answer: (C) Co-ordination

Quick Tip

Coordination is like glue — it binds all departments together and ensures harmony in action.

11. Match the functions of Securities and Exchange Board of India given in Column-I with their headings given in Column-II :

Column-I	Function	Column-II
A.	Training of intermediaries of securities markets	(i) Regulatory func
B.	Regulation of takeover bids by companies	(ii) Protective func
C.	Controlling insider trading and imposing penalties for such practices	(iii) Development f

Choose the correct alternative :

(A) A(ii); B(iii); C(i)

(B) A(i); B(ii); C(iii)

(C) A(iii); B(i); C(ii)

(D) A(iii); B(ii); C(i)

Correct Answer:

(C) A(iii); B(i); C(ii)

Solution:

- Training of intermediaries is a development function — it improves the efficiency and effectiveness of market operations.

- Regulation of takeover bids is part of regulatory function — it ensures fairness in acquisition of companies.
- Controlling insider trading is a protective function — it protects investors and ensures market transparency.

So the correct match is:

A — (iii), B — (i), C — (ii)

Final Answer: (C) A(iii); B(i); C(ii)

Quick Tip

SEBI protects, regulates, and develops — remember these three pillars of its functioning.

12. Lyka Ltd. launched its new range of herbal shampoos at the beginning of the year. As per legal framework, Lyka Ltd. provided the name and address of the manufacturer, the weight, manufacturing date, expiry date, maximum retail price etc. on the package and label of the herbal shampoo.

The consumer right highlighted above is :

- (A) Right to choose
- (B) Right to be informed
- (C) Right to consumer education
- (D) Right to safety

Correct Answer:

- (B) Right to be informed

Solution:

The "Right to be informed" ensures that consumers have access to all necessary information about the product — price, quantity, ingredients, date of manufacture, expiry, usage, and so on.

In the question, Lyka Ltd. discloses vital product information on labels — hence empowering consumers to make an informed decision.

It is not about choice, education, or safety specifically — the emphasis is on disclosure of

correct and complete product details.

Final Answer: (B) Right to be informed

Quick Tip

When the company provides detailed product info on labels — it's about your right to be informed.

13. Statement – I : Business Environment is dynamic as it differs from country to country.

Statement – II : Business Environment is largely uncertain as it is very difficult to predict future happenings.

Choose the correct option from the following :

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

Correct Answer:

- (C) Both the statements are true.

Solution:

Statement I is true because the business environment (political, economic, social, technological) varies from one nation to another. Hence, it is considered dynamic.

Statement II is also true. External factors change quickly and unpredictably (e.g., pandemic, wars, technology disruptions), making it difficult for businesses to foresee future conditions.

So both statements correctly highlight two different characteristics — dynamic nature and uncertainty — of the business environment.

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

Quick Tip

Business environment is dynamic and uncertain — it keeps changing and can't be predicted easily.

14. Which of the following is NOT a feature of demonetisation ?

- (A) It leads to creation of a less-cash or cash-less (free) economy i.e. channeling more savings through the formal financial system and improving tax compliance.
- (B) It is interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted.
- (C) It is viewed as a tax administration measure.
- (D) It led to tax administration channelising savings away from the formal financial system.

Correct Answer:

(D) It led to tax administration channelising savings away from the formal financial system.

Solution:

Demonetisation was undertaken to bring more of the economy into the formal financial system, by reducing the use of cash and increasing the use of digital transactions and banking. This promoted savings and reduced black money.

Options (A), (B), and (C) are all correct descriptions of demonetisation.

- (A) describes the goal of a less-cash economy.
- (B) signals government's stance on black money.
- (C) is a correct administrative interpretation.

However, (D) is incorrect because it falsely claims demonetisation discouraged formal savings, which is opposite to the actual intention.

Final Answer: (D) It led to tax administration channelising savings away from the formal financial system.

Quick Tip

Demonetisation was aimed at formalising the economy, not distancing it from the financial system.

15. The dimension of business environment reflected in the above para is:

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

(D) Technological environment

Correct Answer:

(D) Technological environment

Solution:

The situation describes how movie tickets can be booked online and preferred seats selected without physically going to the theatre. This shift is enabled by technological advancements such as internet services, mobile apps, and digital payments.

Thus, this represents the **technological environment** — the part of the business environment that includes innovations, new inventions, digitalisation, and automation which directly affect the way businesses operate.

Final Answer: (D) Technological environment

Quick Tip

When technology changes how business works — like online ticketing — it reflects the technological environment.

16. The appropriate grievance redressal machinery where Payal can file a complaint is:

(A) District Forum/Commission

(B) State Commission

(C) National Commission

(D) Supreme Court

Correct Answer:

(B) State Commission

Solution:

The complaint involves a product worth ₹40,500. As per the Consumer Protection Act, the hierarchy for complaint filing is based on the value of goods/services.

- Up to ₹20 lakh: District Forum
- Between ₹20 lakh and ₹1 crore: State Commission
- Above ₹1 crore: National Commission

Since the value of the smartphone is ₹40,500, Payal must file her complaint at the **State**

Commission.

Final Answer: (B) State Commission

Quick Tip

Consumer court levels depend on the value of the claim. Use State Commission for mid-value complaints.

17. _____ is the process of holding securities in electronic form.

- (A) Financial Intermediation
- (B) Dematerialisation
- (C) Allocative function
- (D) Mobilisation of securities

Correct Answer:

- (B) Dematerialisation

Solution:

Dematerialisation refers to converting physical share certificates into an electronic format. This makes transactions safer, faster, and easier to track. It is essential for modern trading and investment, eliminating risks like theft, forgery, or damage to paper certificates.

Final Answer: (B) Dematerialisation

Quick Tip

”Demat” is short for dematerialisation — the process of converting physical shares into digital form.

18. The point of importance of Business Environment highlighted above is :

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

Correct Answer:

(B) It helps the firm to identify threats and early warning signals.

Solution:

The case describes how Rajat anticipated a threat to his plastic products business due to an upcoming ban on single-use plastics. His ability to foresee this threat early allowed him to pivot toward eco-friendly alternatives (bamboo, palm leaves), thereby saving and even growing his business.

This exemplifies the importance of business environment in providing **early warning signals** about possible threats so that firms can adapt their strategies in advance.

Final Answer: (B) It helps the firm to identify threats and early warning signals.

Quick Tip

Understanding business environment helps businesses react to risks before they become problems.

19. Statement – I : That part of a brand which can be spoken is called a brand name.

Statement – II : That part of the brand which is given legal protection is called Trademark.

Choose the correct option from the following :

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

Correct Answer:

(C) Both the statements are true.

Solution:

Statement I is correct: The part of a brand that can be spoken — such as a name, term, or phrase — is called the **brand name**.

Statement II is also correct: The brand or a part of it (symbol, logo, name, etc.) when registered and legally protected becomes a **trademark**.

These two are core concepts of branding and intellectual property. Hence, both statements

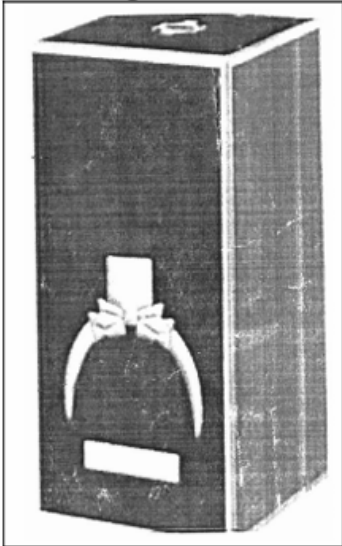
are accurate.

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

Quick Tip

Brand name = what you say; Trademark = legal shield for the brand.

20. The picture given below is the package of a perfume bottle:



Identify the level of packaging of the box shown above:

- (A) Primary package
- (B) Secondary packaging
- (C) Transportation packaging
- (D) Both (A) and (B)

Correct Answer:

- (B) Secondary packaging

Solution:

The image shows a box in which the actual perfume bottle is enclosed. This box is not in direct contact with the product but is used to protect the primary package and to make the product attractive.

This kind of packaging is called **secondary packaging**. The primary package would be the actual perfume bottle.

- Transportation packaging is used for bulk shipping.

- Primary packaging directly holds the product.

Final Answer: (B) Secondary packaging

Quick Tip

Primary packaging = direct contact; Secondary = external box; Transport = shipping container.

21. (a) Identify and state the nature of management discussed in the above case.

(b) Quoting lines from the above para, state any two features of nature of management identified in (a) above.

Correct Answer:

(a) The nature of management discussed is "Management as an Art".

(b) Features:

- "Skillful and personal application of acquired knowledge" — indicates that each individual (Aman, Ashish, Ashi) used their creative methods to teach.
- "Varies from individual to individual in achieving desired results" — each person used a unique method to achieve the goal of educating slum dwellers.

Solution:

(a) The nature of management here is "Management as an Art". Art is defined by personalized and creative application of theoretical knowledge. In this case, all three friends creatively used different teaching methods suited to their personalities and the communities they served.

(b) The two features of management as an art illustrated in the case are:

- "Skillful and personal application of acquired knowledge": Aman used playway, Ashish used music, Ashi used activity-based learning — each personalized their approach.
- "Varies from individual to individual": Though their objective was the same — educating slum dwellers — the means were distinct, showcasing creative freedom and individual variation.

Final Answer: Management as an Art

Quick Tip

Whenever personal creativity and skillful application of knowledge are highlighted, it indicates management as an art.

22. (a) Explain the following as factors affecting 'Financing Decision':

- (i) Fixed operating costs
- (ii) Cash flow position of the company

OR

(b) State any three points of difference between 'Primary Market' and 'Secondary Market'.

Correct Answer:

(a)

(i) **Fixed Operating Costs:** Companies with high fixed operating costs (like rent, salaries, etc.) face high business risk. They generally avoid using debt as a source of finance because interest adds to financial burden.

(ii) **Cash Flow Position:** If a company has a strong cash flow position (steady and predictable inflow of cash), it can afford to take loans and pay interest on time. Hence, it may opt for debt financing. Poor cash flow discourages debt.

(b)

Primary Market	Secondary Market
Deals with issue of new securities.	Deals with trading of existing securities.
Proceeds go to issuing company.	Proceeds go to selling investors.
It promotes capital formation.	It provides liquidity to investments.

Solution:

Part (a):

- **Fixed Operating Costs:** Firms with higher fixed costs are cautious about taking on additional financial burden, as debt financing increases risk due to obligatory interest payments. Therefore, high fixed costs reduce the preference for debt in financing

decisions.

- **Cash Flow Position:** If a company has robust and reliable cash inflows, it is in a better position to service debt by paying interest and principal timely. Hence, such companies are more likely to go for debt financing.

Part (b):

- Primary market involves issuance of new shares; secondary market involves resale of existing shares.
- In primary market, companies raise capital directly; in secondary market, investors trade with one another.
- Primary market aids capital formation; secondary market adds liquidity.

Final Answer: Both parts (a) and (b) as above

Quick Tip

Financing decision factors always revolve around risk, cost, and control. Primary market is for raising funds; secondary market is for liquidity.

23. (a) Identify the concept discussed above which would help the employees to do the job in a better way using Artificial Intelligence Technology.

(b) State any five benefits of the concept identified in (a) above to the organisation.

Correct Answer:

(a) Training and Development

(b) Benefits:

- Improves employee efficiency
- Prepares employees for future roles
- Reduces the need for close supervision
- Improves job satisfaction and morale
- Helps the organisation adapt to technological changes

Solution:

(a) The concept discussed is **Training and Development**. It refers to a planned effort by an organisation to facilitate employees' learning of job-related competencies. In this case, the company is preparing employees to work with Artificial Intelligence by upgrading their skills.

(b) The five major benefits of training and development are:

1. **Improves employee efficiency:** Trained employees perform better and make fewer mistakes.
2. **Prepares for future roles:** It helps in succession planning and makes employees ready for higher responsibilities.
3. **Reduces need for supervision:** Well-trained employees require less supervision as they are confident in their work.
4. **Improves job satisfaction:** Employees feel more valued and secure when they are given training opportunities.
5. **Supports change management:** It helps organisations stay competitive by adapting to new technologies and business environments.

Final Answer: Training and Development

Quick Tip

Training is a short-term process focusing on current job needs; development is a long-term investment in employee potential.

24. (a) 'Planning and controlling are inseparable twins of management'. Explain with the help of any three points.

OR

(b) Explain 'Critical point control' and 'Management by exception' as discussed in the controlling process.

Correct Answer:

(a)

- Planning provides the basis of control: Without objectives set in planning, controlling has no benchmarks.
- Controlling ensures that the actual performance conforms to plans.
- Both are forward and backward looking — planning is futuristic, controlling is retrospective but used for future correction.

(b)

- **Critical point control:** Focuses control efforts on key result areas which are most important.
- **Management by exception:** Managers deal only with significant deviations; minor issues are left to subordinates.

Solution:

Part (a):

1. **Planning and controlling are interdependent:** Planning sets goals, while controlling ensures their achievement.
2. **Controlling compares actual performance with plans:** This feedback loop refines future plans.
3. **Both aim at organisational effectiveness:** Their combined effect ensures coordination and efficiency.

Part (b):

- **Critical Point Control:** Rather than spreading control thinly over all activities, this focuses on the most important areas where failure can be costly.
- **Management by Exception:** Instead of micro-managing every action, top management intervenes only when performance deviates significantly from the plan.

Final Answer: Both (a) and (b) as explained

Quick Tip

Control is successful only when planning is sound; likewise, planning becomes meaningful only when control is applied.

25. (a) State any four features of directing function of management.

OR

(b) Explain the following ‘Semantic barriers’ to communication :

(i) Technical jargon

(ii) Body language and gesture decoding

Correct Answer:

(a)

- Directing initiates action.
- Directing takes place at every level of management.
- Directing is a continuous process.
- Directing flows from top to bottom.

(b)

- **Technical Jargon:** The use of technical or complex words can confuse the receiver if they lack domain-specific knowledge.
- **Body Language and Gesture Decoding:** If gestures or expressions are misinterpreted, the intended message may be misunderstood.

Solution:

Part (a): Features of Directing Function:

1. **Initiates Action:** Planning, organising, and staffing are preparatory functions, while directing initiates real performance.
2. **Takes Place at Every Level:** Managers at all levels — top, middle, and supervisory — perform directing in varying degrees.
3. **Continuous Process:** It is not a one-time activity, but continues throughout the organisation’s life.
4. **Flows from Top to Bottom:** Instructions and guidance begin from the top and move downward through the chain of command.

Part (b): Semantic Barriers to Communication:

- **Technical Jargon:** Communication becomes ineffective when specialised language or abbreviations are not understood by the receiver.
- **Body Language and Gesture Decoding:** Non-verbal cues can be ambiguous or misread if the sender and receiver are from different cultures or contexts.

Final Answer: Both (a) and (b) as stated above

Quick Tip

Directing is the only managerial function that involves dealing directly with human behavior — motivation, supervision, communication, and leadership.

26. (a) Explain the following steps of the selection process :

- (i) Selection Tests
- (ii) Employment Interview

OR

(b) State any four points of importance of 'Staffing' function of management.

Correct Answer:

(a)

- **Selection Tests:** Assess a candidate's skills, aptitude, personality, and intelligence.
- **Employment Interview:** A formal interaction that helps assess suitability of the candidate.

(b)

- Helps in discovering and obtaining competent personnel.
- Makes optimum utilisation of human resources.
- Improves performance through right placements.
- Ensures continuous survival and growth of the enterprise.

Solution:

Part (a): Steps of Selection Process:

- **Selection Tests:** These include aptitude tests, intelligence tests, and personality tests. They are used to objectively assess whether the candidate possesses the required qualities for the job.
- **Employment Interview:** A structured conversation between employer and candidate to judge communication skills, confidence, attitude, and compatibility with company culture.

Part (b): Importance of Staffing Function:

1. **Finding Competent Personnel:** It helps in identifying and appointing people with the right skills.
2. **Optimal Utilisation:** Staffing ensures proper deployment of human resources to avoid under- or over-utilisation.
3. **Performance Improvement:** Right person in the right job improves organisational efficiency.
4. **Business Sustainability:** Ensures talent is retained and future leadership is developed.

Final Answer: Both parts (a) and (b) as above

Quick Tip

Staffing is not just hiring — it's about developing a skilled, motivated, and retained workforce aligned to strategic goals.

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- 27.** (a) Identify and explain the incentives given by Shanta Enterprises to its employees.
 (b) State the needs of the employees being met by such incentives as per Maslow's Need Hierarchy Theory.

Correct Answer:

(a)

- **Financial Incentive:** Permanent employment offered to Arvind and Yogesh reflects job security, which is a monetary-based incentive.

- **Non-Financial Incentive:** Awarding Ekta with "Best Employee of the Year" is a recognition-based incentive, motivating through appreciation.

(b)

- **Job Security:** Satisfies safety needs in Maslow's hierarchy.
- **Recognition and Award:** Satisfies esteem needs by valuing an individual's contribution and building self-worth.

Solution:

Part (a): Incentives Given:

1. Financial Incentive (Job Security): Arvind and Yogesh, initially on contract, were given permanent jobs. This provided them with financial stability and long-term assurance, which is a direct financial motivator.

2. Non-Financial Incentive (Recognition): Ekta, working as RD Head, was awarded "Best Employee of the Year." This kind of recognition boosts morale, provides a sense of achievement, and reinforces productive behavior. It's a non-monetary incentive with powerful motivational impact.

Part (b): Maslow's Need Hierarchy Theory Application:

According to Maslow, human needs are arranged in a hierarchy. Shanta Enterprises addressed the following:

- **Safety Needs:** By offering permanent employment, the company ensured Arvind and Yogesh felt secure about their future. This reduced fear of job loss and financial instability.
- **Esteem Needs:** By recognizing Ekta's work through an award, the organisation fulfilled her need for appreciation and status. Such gestures enhance self-confidence and respect among peers.

Final Answer: (a) Financial and Non-financial incentives

(b) Safety and Esteem Needs according to Maslow

Quick Tip

Combining both financial and non-financial incentives ensures holistic employee motivation — addressing both tangible security and emotional satisfaction.

28. Explain the following factors affecting the working capital requirements of a company :

- (a) Level of competition
- (b) Inflation

Correct Answer:

- (a) Level of competition
- (b) Inflation

Solution:

(a) Level of Competition:

In highly competitive industries, companies need to maintain higher inventory levels and provide better credit terms to customers to retain their market share. This increases the working capital requirement as more funds are tied up in inventory and receivables. For example, FMCG companies compete on service efficiency and stock availability, which demand higher levels of working capital.

(b) Inflation:

Inflation causes a general rise in the prices of raw materials, labor, and other operating expenses. As a result, companies require more funds to maintain the same level of operations, leading to increased working capital needs. Moreover, inflation can lead to uncertainty and may result in higher inventory stocking to avoid future price increases.

Final Answer: (a) Level of competition (b) Inflation

Quick Tip

Working capital requirements are dynamic and influenced by both internal business needs and external economic conditions.

29. (a) State two responsibilities discharged by Nishi, as a consumer, in the above case.

(b) State any two reliefs which can be granted to Nishi, if the consumer court is satisfied with

the genuineness of the complaint.

Correct Answer:

- (a) Responsibility to be aware and Responsibility to seek redressal
- (b) Replacement of product and Compensation for loss or injury

Solution:

(a) Responsibilities Discharged by Nishi:

1. Responsibility to be aware: Nishi carefully checked the weight of the product and realized the discrepancy between the labelled weight and actual content. She was aware of her rights as a consumer.

2. Responsibility to seek redressal: Instead of accepting the gift hamper, Nishi chose to take appropriate action by approaching a consumer redressal agency, thereby fulfilling her responsibility to seek justice.

(b) Reliefs that can be granted:

1. Replacement of Product: The consumer court may direct the manufacturer to replace the underweight product with a correct one.

2. Compensation for Loss or Injury: If any inconvenience or loss has occurred due to the defective product, Nishi may be awarded suitable compensation by the court.

Final Answer:

- (a) Responsibility to be aware and Responsibility to seek redressal
- (b) Replacement of product and Compensation for loss or injury

Quick Tip

Consumers should stay informed, verify product details, and never hesitate to approach redressal forums if their rights are violated.

30. Kaysons Ltd. was a reputed company manufacturing automotive parts for electric vehicles. As the demand for electric vehicles grew, Kaysons Ltd. needed more capital to keep up with the demand for automotive parts. Atul, the Finance Manager of Kaysons Ltd., suggested that the company should raise funds through a public issue of shares as the stock market was bullish. The Chief Executive Officer fully understood that this process of raising

funds would not only reduce the management's holding in the company but would also require considerable expenditure. Even then he agreed with the Finance Manager and the public issue of shares was made complying with the guidelines of Securities and Exchange Board of India.

Identify and state any four factors affecting choice of capital structure being discussed above.

Correct Answer:

Trading on equity, Cost of raising funds, Stock market conditions, Regulatory framework

Solution:

1. Trading on Equity: The decision to issue more equity shares shows that the company is considering how additional equity can affect the existing shareholder earnings. Less financial leverage means less risk.

2. Cost of Raising Funds: Public issue involves floatation costs like underwriting, brokerage, and legal expenses. The CEO acknowledges this significant cost, which is a key factor in determining capital structure.

3. Stock Market Conditions: Atul advised issuing shares since the stock market was bullish. A favorable market improves investor confidence, increasing the likelihood of successful capital raising.

4. Regulatory Framework: The company ensured compliance with SEBI guidelines, which influences the choice and execution of capital raising mechanisms.

Final Answer: Trading on equity, Cost of raising funds, Stock market conditions, Regulatory framework

Quick Tip

While planning capital structure, always weigh the cost, control, risk, and compliance aspects.

31. (a) Explain the following types of plans :

(i) Strategy

(ii) Method

(iii) Budget

OR

(b) Explain the following limitations of planning function of management :

(i) Planning may not work in a dynamic environment.

(ii) Planning leads to rigidity.

(iii) Planning is time consuming.

Correct Answer:

(a) Strategy, Method, Budget

(b) Limitations include lack of flexibility, rigidity, and time consumption

Solution:

(a) Types of Plans:

1. Strategy: It is a comprehensive plan to achieve organizational objectives. Strategies are formulated by top-level management to tackle future uncertainties and competitive forces.

2. Method: It outlines the exact procedure or manner in which a particular activity is to be performed. It ensures standardization in performance.

3. Budget: A budget is a quantitative statement prepared for a specific future period of time. It specifies expected outcomes and provides benchmarks for comparison.

OR

(b) Limitations of Planning:

1. Dynamic Environment: Business conditions keep changing. Over-reliance on plans can lead to inefficiencies in unpredictable situations.

2. Planning Leads to Rigidity: Once a plan is made, managers may strictly adhere to it and not allow necessary flexibility.

3. Planning is Time Consuming: Detailed analysis and forecasting demand time and effort, which might delay immediate action.

Final Answer:

(a) Strategy, Method, Budget

OR

(b) Limitations: Dynamic nature, rigidity, time consumption

Quick Tip

Effective planning should be flexible, forward-looking, and continuously updated to align with changing business conditions.

32. The above case highlights the use of Scientific principles and techniques by ‘Coffee Bean’. Explain any one such principle and two techniques.

Correct Answer:

Principle: Science, not rule of thumb

Techniques: Standardization and training

Solution:

Principle – Science, not rule of thumb:

Ankur believed that there is only one best way of doing a job and applied scientific analysis to find the most efficient method to perform tasks such as grilling burgers and preparing shakes. This aligns with Taylor’s principle of replacing the old rule-of-thumb method with scientific and data-based decisions.

Technique 1 – Standardization:

The use of standardized raw materials, equipment, methods, and working conditions in ‘Coffee Bean’ exemplifies this technique. Standardization helped in maintaining quality, reducing cost, and ensuring consistent output.

Technique 2 – Training and Development:

‘Coffee Bean’ invested in training its employees to equip them with the necessary skills and knowledge. This ensured that they could perform efficiently and improve their productivity, fulfilling Taylor’s emphasis on worker development.

Final Answer:

Principle: Science, not rule of thumb

Techniques: Standardization and Training Development

Quick Tip

Scientific management focuses on efficiency and productivity by promoting training, standardization, and rational decision-making.

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

1. Marketing Planning
2. Branding
3. Pricing

OR

(b) Explain Advertising, Sales Promotion and Public Relations as elements of promotion mix.

Correct Answer:

Attempt both parts of the question with detailed explanation.

Solution:

(a) Explanation of the marketing functions:

- **Marketing Planning:** It involves developing appropriate marketing plans so that the marketing objectives of the organization can be achieved. This includes deciding targets, formulating strategies for promotion and distribution, forecasting demand, etc. A proper marketing plan helps in optimum resource utilization, reducing wastage and achieving desired results.
- **Branding:** Branding refers to giving a unique name, sign, symbol or design to a product to differentiate it from competitors. It helps in building brand recognition and loyalty among consumers. For example, names like Nike, Apple, and Amul are strong brands that influence customer purchasing decisions.
- **Pricing:** Pricing involves setting the right price for the product to attract consumers and achieve business goals. Factors like production cost, competition, demand, and consumer perception influence pricing decisions. Proper pricing ensures competitiveness and profitability.

(b) Explanation of elements of promotion mix:

- **Advertising:** It is a paid form of non-personal communication used to inform, persuade, and remind customers about a product or service. It is used to build brand awareness and attract customers through various media like television, radio, internet, etc.

- **Sales Promotion:** It includes short-term incentives offered to consumers to boost the immediate sale of products. Examples include discounts, coupons, contests, and free samples. These tools stimulate consumer interest and encourage purchase.
- **Public Relations:** It involves maintaining a positive image of the company and its products among the public through press releases, corporate social responsibility (CSR) activities, events, and press conferences. PR builds goodwill and credibility for the business.

Final Answer: Attempted both parts of the question.

Quick Tip

A good marketing strategy integrates all marketing functions including branding, pricing, and promotion to reach and influence target customers effectively.

34. Preeti started her own cooking channel on YouTube Mood Art. As her subscribers increased, she was not in a position to manage everything on her own. She hired Rahul and Riya to help her with filming, editing, lighting and content research. She granted authority to them to operate within prescribed limits. She was thus, able to use her time on high priority activities like developing new recipes and content development etc. As a result, Rahul and Riya were given opportunities to develop and exercise initiative. Preeti was now able to focus on objectives and meet the target of achieving a subscriber base of one million in six months.

(a) Identify the concept of management used by Preeti to focus on objectives of her business and meet her targets.

(b) Explain any five points of importance of the concept identified in (a) above.

Correct Answer:

(a) The concept of management identified is **Delegation**.

Solution:

(a) Delegation refers to the process of assigning responsibility and authority to subordinates while retaining accountability. In the given case, Preeti delegated responsibilities like filming, editing, lighting and research to Rahul and Riya while she focused on high-priority activities such as content development and new recipes. This helped her meet her business

goals effectively.

(b) Importance of Delegation:

Reduces the workload of managers: Delegation enables managers to distribute work and reduce their burden. Preeti could focus on strategic goals while routine tasks were handled by her team.

Leads to employee development: Delegation gives employees opportunities to learn and grow. Rahul and Riya could demonstrate and improve their skills.

Improves motivation of employees: When employees are trusted with responsibilities, they feel valued and motivated. This improves job satisfaction and performance.

Facilitates quick decision-making: Delegation empowers subordinates to take decisions within their limits. This saves time and ensures smooth functioning.

Ensures better focus on objectives: Managers can prioritize important tasks and long-term goals. Preeti could focus on expanding the channel and growing her audience.

Final Answer:

(a) Delegation

(b) Five points of importance explained with examples.

Quick Tip

Delegation is not just task sharing; it's about trust and building a capable team while allowing managers to focus on big-picture objectives.