

CBSE Business Studies Question Paper With Solutions

SET 1 - 66/5/1

Time Allowed :3 Hours	Maximum Marks :80	Total questions :34
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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. Navya went to a supermarket for grocery shopping. She bought one kg of bajra flour from the supermarket. On reaching home when she opened the packet she found worms inside it. She was disappointed and told her son about the same. Her son asked her to check the label. When she checked the label of the packet, she found that bajra flour was stale and beyond the expiry date. She approached the sales-person at the supermarket who replaced the bajra flour immediately. When she thanked the sales-person, she was told that it was the policy of the supermarket to satisfy the customers. He further told that satisfied customers not only lead to repeat sales but they also provide good feedback to prospective customers which helps in increasing the customer base of business. Identify the point of importance of consumer protection from the point of view of the supermarket which is helping them to increase the customer base :

- (A) Long term interest of the business
- (B) Moral justification

- (C) Social responsibility
- (D) Government intervention

Correct Answer:

- (A) Long term interest of the business

Solution:

The supermarket's perspective emphasizes **Long-term Business Interests** because: 1.

Customer Retention: - "Repeat sales" → Loyal customers have 3x higher lifetime value - Example: 5 percent increase in retention can boost profits by 25-95 percent (Harvard Business Review)

2. **Word-of-Mouth Marketing:** - "Good feedback to prospective customers" - 92 percent of consumers trust recommendations from friends (Nielsen)

3. **Competitive Advantage:** - Differentiates from stores with poor complaint resolution - Builds brand equity over time

Why not other options: - (B) Moral: Would focus on ethical duty rather than business outcomes - (C) Social: Would emphasize community welfare over profits - (D) Government: No regulatory pressure mentioned

Business Impact: - Cost of acquiring new customers is 5-25x more than retaining existing ones (Bain Company) - 70 percent of buying experiences based on how customers feel they're treated (McKinsey)

Final Answer: (A) Long term interest of the business

Quick Tip

When questions mention "repeat sales" or "customer base growth", focus on the business case rather than ethical/legal aspects.

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

Assertion (A) : Availability of leasing facilities may reduce the funds required to be invested in fixed assets thereby reducing the fixed capital requirements.

Reason (R) : When an asset is taken on lease, the firm pays lease rentals to use it and avoids

to invest huge sums required to purchase it.

(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 relationship is correctly explained because:

Assertion Verification: 1. **Leasing Impact:** - Converts capital expenditure (CapEx) to operational expenditure (OpEx) - Example: Airlines lease 50 percent of aircraft fleet to reduce capital burden

2. **Balance Sheet Effect:** - No asset ownership → Lower fixed capital - Lease obligations recorded as liabilities (not assets)

Reason Analysis: 1. **Direct Explanation:** - Clearly shows the substitution effect (rentals vs purchase) - 10 crore equipment lease = 1 crore/year vs 10 crore upfront

2. **Financial Metrics:** - Improves return on capital employed (ROCE) - Maintains debt-equity ratio

Industry Practice: - 80 percent of US companies use leasing for equipment acquisition - Common in industries with rapid technological obsolescence

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

Quick Tip

In financial assertion-reason questions, check if the reason explains the mechanism behind the assertion's claim.

3. Statement-I : The basic function of a Stock Exchange is the creation of a continuous

market where securities are bought and sold.

Statement-II : The Stock Exchange provides both liquidity and easy marketability to already existing securities in the market.

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:

Both statements accurately describe stock exchange functions:

Statement I Analysis: 1. **Market Creation:** - Provides trading platform (NSE/BSE trading systems) - Enables price discovery through bid-ask spreads

2. **Continuity:** - Regular trading hours (9:15 AM-3:30 PM in India) - Market makers ensure constant liquidity

Statement II Analysis: 1. **Liquidity Provision:** - Enables quick conversion to cash - Blue-chip stocks can be sold within seconds

2. **Marketability:** - Standardized listing requirements - Electronic settlement (T+1 cycle in India)

Interrelation: - Continuous market (I) enables liquidity (II) - Both are SEBI-recognized primary functions

Global Context: - NYSE handles 30-50 billion dollar daily trades - NIFTY 50 index has average daily turnover of 20,000 crore

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

Quick Tip

Stock exchange functions questions often test the dual aspects of trading platform (Statement I) and liquidity provision (Statement II).

4. Many reputed business organisations keep a database of unsolicited applicants in their offices. Such job seekers can be a valuable source of manpower. A list of such job seekers can be prepared and can be screened to fill the vacancies as they arise. The source of recruitment discussed above is :

- (A) Direct recruitment
- (B) Casual callers
- (C) Labour contractors
- (D) Campus recruitment

Correct Answer:

- (B) Casual callers

Solution:

The description matches **Casual Callers** recruitment because:

1. **Definition:** - Walk-ins/unsolicited applications - Maintained in talent pools (HR databases)
2. **Advantages:** - Cost-effective (no agency fees) - 30 percent faster hiring for urgent needs (SHRM data) - Pre-screened candidates
3. **Industry Usage:** - Common in retail (Walmart), hospitality (Marriott) - Tech companies (Google's "cold applicant" database)
4. **Distinction:** - (A) Direct: Career fairs, advertisements - (C) Contractors: Third-party labor providers - (D) Campus: College placement drives

Modern Trends: - LinkedIn profiles as digital casual callers - AI-powered applicant tracking systems

Final Answer: (B) Casual callers

Quick Tip

Casual callers are always unsolicited. Direct recruitment involves active employer outreach like job postings.

5. 'Child-O' is a garment manufacturing company which makes clothes with unique and stylish designs for children. Naisha was working as the Human Resource Manager with

'Child-O'. In spite of good pay and many other benefits offered, the company is facing problem of high turnover of its employees. Naisha tried to find out the reason but could not. She appointed a person with the permission of the Chief Executive Officer to find out the reason. It was found that other organisations were giving more autonomy and authority to their employees which made them feel that their jobs were important. This was attracting the employees of 'Child-O' to other organisations. The incentive which attracted the employees of 'Child-O' to other organisations is :

- (A) Employee Recognition programmes
- (B) Employee Participation
- (C) Career Advancement Opportunity
- (D) Employee Empowerment

Correct Answer:

- (D) Employee Empowerment

Solution:

The key differentiator was **Employee Empowerment** because: 1. **Core Aspect:** - "More autonomy and authority" → Decision-making power - "Made them feel their jobs were important" → Psychological impact

2. **Research Backing:** - Gallup study shows empowered employees have 21- 67

3. **Distinction from Other Options:** - (A) Recognition: About appreciation, not authority - (B) Participation: Involvement decision-making power - (C) Career Growth: Not mentioned in case

Modern HR Context: - Particularly valued by Gen Z/millennial workforce - Key component of high-performance work systems

Final Answer: (D) Employee Empowerment

Quick Tip

Empowerment questions focus on autonomy/authority. When employees leave despite good pay, check for decision-making power.

6. For holding securities in an electronic form, the investor has to open a demat account with

an organisation called _____.

- (A) Depository
- (B) Securities and Exchange Board of India
- (C) Stock Exchange
- (D) Mutual Fund

Correct Answer:

- (A) Depository

Solution:

Depositories (NSDL/CDSL) handle electronic securities because: 1. **Functions:** - Demat account maintenance - Settlement of trades (T+1 cycle) - Corporate action processing (dividends, bonuses)

2. **Indian Context:** - NSDL (National Securities Depository Ltd) - CDSL (Central Depository Services Ltd) - Regulated by SEBI under Depositories Act, 1996

3. **Distinction:** - SEBI: Market regulator, doesn't hold accounts - Stock Exchanges: Trading platforms (NSE/BSE) - Mutual Funds: Investment products, not account providers

Process Flow: Broker → Exchange → Depository → Investor

Final Answer: (A) Depository

Quick Tip

Remember: Depositories hold securities, Exchanges facilitate trading, SEBI regulates.

7. The activities involved in managing the enterprise are common to all organisations whether economic, political or social. Identify the feature of management :

- (A) Management is multidimensional.
- (B) Management is all pervasive.
- (C) Management is a continuous process.
- (D) Management is a dynamic function.

Correct Answer:

- (B) Management is all pervasive.

Solution:

Pervasiveness refers to universal application because: 1. **Cross-Sector Relevance:** - Businesses: Profit-oriented management - NGOs: Volunteer coordination - Governments: Public administration

2. **Key Characteristics:** - Common functions (Planning, Organizing, etc.) - Adaptable principles - Scalable techniques

3. **Examples:** - Hospital administration - University management - Military logistics

Why not others: - (A) Multidimensional: Functional areas within an organization - (C)

Continuous: Ongoing process over time - (D) Dynamic: Adaptability to change

Final Answer: (B) Management is all pervasive.

Quick Tip

Pervasiveness questions emphasize universal applicability across all types of organizations.

8. Which of the following is NOT a factor affecting 'financing decision' ?

(A) Fixed operating costs

(B) Cash flow position

(C) Control considerations

(D) Diversification

Correct Answer:

(D) Diversification

Solution:

Diversification is a strategic decision, not directly a financing factor because: 1. **Financing**

Decision Factors: - (A) Fixed costs: Impacts debt capacity (interest coverage ratio) - (B)

Cash flow: Determines repayment ability - (C) Control: Equity vs debt dilution effects

2. **Diversification Aspects:** - Business portfolio strategy - Risk management tool -

Implemented through investment decisions

3. **Financial Context:** - Financing decisions concern capital structure (debt/equity mix) -

Diversification affects asset allocation

Final Answer: (D) Diversification

Quick Tip

Financing decisions always relate to capital structure (debt/equity mix). Strategy questions test business expansion choices.

9. 'Vanguard Inc.', a company manufacturing footwear for men, women and children has been earning consistent profits for the last many years. It has a democratic style of working. Workers are encouraged to develop and carry out plans for improvement in the organisation. Varun who is working in the production department gave a suggestion which resulted in 10 percent reduction in the cost of production of shoes. He was rewarded for his suggestion. Identify the principle of management followed by 'Vanguard Inc.' in the above case :

- (A) Esprit De Corps
- (B) Subordination of Individual Interest to General Interest
- (C) Initiative
- (D) Equity

Correct Answer:

- (C) Initiative

Solution:

The case demonstrates **Initiative** (Fayol's principle) through: 1. **Key Evidence:** - "Workers encouraged to develop plans" - "Varun gave a suggestion" - "Rewarded for his suggestion"
2. **Impact:** - 10 percent cost reduction shows measurable benefit - Democratic culture fosters creativity

3. **Principle Characteristics:** - Voluntary contribution beyond job description - Management receptiveness to ideas - Reward system for suggestions

Why not others: - (A) Esprit De Corps: Team spirit not highlighted - (B) Subordination: No conflict between individual/organizational goals - (D) Equity: Fair treatment not the focus

Final Answer: (C) Initiative

Quick Tip

Initiative questions feature employee suggestions, improvement ideas, and reward systems.

10. Naman and Vineet were childhood friends and both were working in 'Sunshine Crockery.' Naman was working as the Chief Executive Officer while Vineet was the Production Manager. They would generally discuss company related issues over lunch-time or while travelling together. The company had recently received an order for supply of 5,000 dinner sets from Shaurya Hotel. It was an unexpected order and would increase the revenue of the company. This order was communicated by Naman to Vineet over intercom. Vineet executed the order within the given time period. For this, he was appreciated by Naman. The type of communication used by Naman to communicate the order to Vineet was :

- (A) Formal Communication
- (B) Informal Communication
- (C) Online Communication
- (D) Visual Communication

Correct Answer:

- (A) Formal Communication

Solution:

The order communication was **Formal** because: 1. **Channel Characteristics:** - Intercom (official workplace system) - Followed organizational hierarchy (CEO→Manager)

2. **Content Nature:** - Business-critical information (large order) - Revenue-impacting instruction

3. **Context Indicators:** - Despite personal relationship, used official channel - Task execution required formal record

Distinctions: - (B) Informal: Would involve personal channels (texts, casual talk) - (C)

Online: Too broad (intercom isn't internet-based) - (D) Visual: No diagrams/charts used

Final Answer: (A) Formal Communication

Quick Tip

Formal communication is characterized by official channels and work-related content, regardless of personal relationships.

[Continuing with the same format for questions 11-15...]

11. Choose the incorrect statement about 'Money market' :

(A) The main instruments traded in this market are Treasury bills, Trade bills, Commercial paper and Certificates of deposit.

(B) In this market, transactions entail huge sums of money as the instruments are quite expensive.

(C) Participation in this market is by and large undertaken by institutional participants such as the Reserve Bank of India, banks, financial institutions and finance companies.

(D) It deals in medium and long term securities.

Correct Answer:

(D) It deals in medium and long term securities.

Solution:

The incorrect statement is about **tenure** because: 1. **Money Market Facts:** - Short-term instruments (≤ 1 year) - Examples: T-bills: 91-364 days Commercial paper: 15-365 days
2. **Capital Market Contrast:** - Medium/long-term securities - Bonds, equities, debentures
3. **Other Options Verification:** - (A) Correct instrument list - (B) True (minimum 5 lakh transactions) - (C) Accurate participant profile

Market Purpose: - Provides liquidity management - Facilitates short-term borrowing/lending

Final Answer: (D) It deals in medium and long term securities.

Quick Tip

Money market questions often test the short-term nature. Remember: "Money" = short, "Capital" = long.

12. _____ means doing the task correctly and with minimum cost.

(A) Efficiency

(B) Effectiveness

(C) Management

(D) Coordination

Correct Answer:

(A) Efficiency

Solution:

Efficiency is the optimal resource utilization because: 1. **Key Aspects:** - Output/Input ratio - Time management - Cost minimization

2. **Examples:** - Assembly line productivity - Lean manufacturing - Six Sigma processes

3. **Vs Effectiveness:** - Efficiency: "Doing things right" - Effectiveness: "Doing the right things"

Business Impact: - 1 percent efficiency gain can boost profits 10-15

Final Answer: (A) Efficiency

Quick Tip

Efficiency questions always test resource optimization. Effectiveness questions focus on goal achievement.

13. Match the terms given in Column-I with their meaning in Column-II.

Column-I	Column-II
a. Trademark	(i) A name, term, sign, symbol, design or some combination of them used to identify t
b. Brand name	(ii) A brand or a part of the brand that is given legal protection.
c. Brand	(iii) That part of the brand which can be recognised but which is not utterable.
d. Brand mark	(iv) That part of the brand which can be spoken.

Choose the correct option from the following :

(A) a-(i), b-(ii), c-(iii), d-(iv)

(B) a-(ii), b-(iii), c-(i), d-(iv)

(C) a-(ii), b-(iv), c-(i), d-(iii)

(D) a-(ii), b-(i), c-(iv), d-(iii)

Correct Answer:

(C) a-(ii), b-(iv), c-(i), d-(iii)

Solution:

The correct matching is:

Term	Match	Examples
Trademark	(ii) Legal protection	Nike's Swoosh®
Brand name	(iv) Speakable part	"Coca-Cola"
Brand	(i) Identification system	Apple's ecosystem
Brand mark	(iii) Visual non-utterable	McDonald's Golden Arches

Key Differentiators: 1. **Trademark vs Brand:** - All trademarks are brands, not vice-versa -
 ® symbol indicates legal registration

2. **Brand Name vs Mark:** - Name: Verbal ("Nike") - Mark: Visual (Swoosh logo)

Final Answer: (C) a-(ii), b-(iv), c-(i), d-(iii)

Quick Tip

Branding questions often test the verbal/visual and legal/non-legal distinctions.

14. 'Since business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources, it becomes difficult to comprehend at once what exactly constitutes a given environment.' Thus it is relatively easier to understand the environment in parts but difficult to grasp in its totality. Identify the feature of business environment highlighted above :

- (A) Uncertainty
- (B) Complexity
- (C) Relativity
- (D) Dynamic nature

Correct Answer:

- (B) Complexity

Solution:

The description matches **Complexity** because: 1. **Multidimensional Nature:** - "Numerous interrelated conditions" - Example: PESTEL factors affecting simultaneously

2. **Analytical Challenge:** - "Easier to understand in parts" - Requires decomposition (SWOT, Porter's Five Forces)

3. **Key Indicators:** - Multiple stakeholders - Interconnected variables - Non-linear

relationships

Why not others: - (A) Uncertainty: About unpredictability, not interconnectedness - (C) Relativity: Context-specific nature not discussed - (D) Dynamic: Change speed not emphasized

Final Answer: (B) Complexity

Quick Tip

Complexity questions emphasize "interrelated factors" and "difficulty in total comprehension".

15. As per Plastic Waste Management Rule 2022, single use plastic items were prohibited in Delhi from 1st July, 2022. The dimension of business environment referred to here is

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

Correct Answer:

- (B) Legal environment

Solution:

The Plastic Waste Management Rule 2022 represents the **Legal Environment** because: 1.

Regulatory Nature: - Formal government legislation - Enforceable penalties (up to 1 lakh fine)

2. **Business Impact:** - Mandates alternative packaging solutions - Requires changes in manufacturing processes

3. **Distinction:** - Not (A) Economic: Doesn't concern fiscal policies - Not (C) Technological: No innovation aspect - Not (D) Political: Not related to party policies

Industry Adaptation: - McDonald's India switched to paper straws - Beverage companies increased PET recycling

Final Answer: (B) Legal environment

Quick Tip

Legal environment questions feature specific laws/regulations with compliance requirements.

16. Which of the following is the function of Top level management?

- (A) They ensure that their department has the necessary personnel.
- (B) They interact with the actual work force and pass on instructions of the middle management to the workers.
- (C) They co-operate with other departments for smooth functioning of the organisation.
- (D) They analyse the business environment and its implications for the survival of the firm.

Correct Answer:

- (D) They analyse the business environment and its implications for the survival of the firm.

Solution:

The correct answer represents **Top-level management's strategic role** because: 1. **Primary**

Function: - Focuses on long-term planning - Analyzes external business environment

2. **Distinction:** - Not (A): Middle management responsibility - Not (B): Supervisory level function - Not (C): Operational coordination

3. **Business Impact:** - Determines organizational survival - Shapes corporate strategy

Examples: - CEOs analyzing market trends - Board members making strategic decisions

Final Answer: (D) They analyse the business environment and its implications for the survival of the firm.

Quick Tip

Top management questions focus on strategic decision-making and organizational survival.

17. Identify from the following - what is shown in the picture of refrigerator given below?

- (A) Brand name
- (B) Brand mark
- (C) Trademark

(D) Label

Correct Answer:

(B) Brand mark

Solution:

The picture represents a **Brand Mark** because: 1. **Visual Identification:** - Symbol or design element - Non-textual representation

2. **Distinction:** - Not (A): Brand name is textual - Not (C): Trademark is legal protection - Not (D): Label provides product information

3. **Marketing Purpose:** - Creates visual brand identity - Enhances brand recall

Examples: - Nike's Swoosh - Apple's bitten apple logo

Final Answer: (B) Brand mark

Quick Tip

Brand marks are visual symbols, while brand names are textual representations.

18. 'Kanand Ltd.' is an automobile manufacturing company started in 2014 under 'Make in India' initiative of the Government of India. Expecting higher growth in future, it developed higher capacity in the current year taking advantage of the subsidies provided by the government. This would enable 'Kanand Ltd.' to meet anticipated higher demand quickly, For this, 'Kanand Ltd.' invested large amounts in fixed assets leading to higher requirements of fixed capital. Identify the factor affecting fixed capital requirements which 'Kanand Ltd.' kept in mind to meet higher anticipated demand quicker.

(A) Scale of operations

(B) Nature of business

(C) Diversification

(D) Growth prospects

Correct Answer:

(D) Growth prospects

Solution:

The correct factor is **Growth Prospects** because: 1. **Business Decision:** - Anticipation of

future demand - Strategic capacity expansion

2. **Distinction:** - Not (A): Current scale unchanged - Not (B): Core business remains same -
Not (C): No new product lines

3. **Financial Impact:** - Long-term asset investment - Capital budgeting decision

Examples: - Tesla building Gigafactories - Amazon's warehouse expansion

Final Answer: (D) Growth prospects

Quick Tip

Growth prospect decisions involve forecasting future demand and preparing capacity accordingly.

19. Which of the following is not an element of social environment?

- (A) Composition of family
- (B) Consumption habits
- (C) Rates of saving and investment
- (D) Educational system and literacy rates

Correct Answer:

- (C) Rates of saving and investment

Solution:

The correct answer is **Rates of saving and investment** because: 1. **Social Environment**

Elements: - Family structure (Option A) - Consumption patterns (Option B) - Education systems (Option D)

2. **Economic Factor:** - Saving/investment rates are economic indicators - Related to financial system, not social structure

3. **Distinction:** - Not social customs/traditions - Not cultural aspects

Examples: - Joint vs nuclear family (Social) - Literacy campaigns (Social) - Interest rates (Economic)

Final Answer: (C) Rates of saving and investment

Quick Tip

Social environment questions focus on cultural, demographic and lifestyle factors.

20. Statement-I : Motivation can be either positive or negative.

Statement-II : Motivation is a complex process as the individuals are heterogeneous in their expectations, perceptions and reactions.

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:

Both statements are correct because: 1. **Statement-I Validation:** - Positive motivation: Rewards/incentives - Negative motivation: Punishments/threats

2. **Statement-II Validation:** - Individual differences exist - Varying responses to same stimulus

3. **Theoretical Support:** - Herzberg's Two-Factor Theory - Maslow's Hierarchy of Needs

Examples: - Bonus vs warning letter (I) - Different employee reactions (II)

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

Quick Tip

In true/false statement questions, evaluate each statement independently first.

21. 'Caro', a car manufacturing company was manufacturing high cost, good quality luxury cars. For the last few years, the company was not earning good profits as the demand for the cars was very low.

Chief Executive Officer of the company, Piyush had a meeting with the Production and Sales

Managers to discuss how to increase the revenue of the company. They found that nowadays instead of purchasing luxury cars people prefer to have such cars on rental basis. So they decided to start 'Car rental service'. The Production Manager also suggested that as these cars were sophisticated and each spare part was very costly it would be better to provide these cars for rental service along with trained drivers so that there would be less wear and tear. Piyush agreed and a training unit was started. Two of the available cars were used for training the drivers. People were very happy as they were getting these cars on rental basis with trained drivers. The idea was a big hit and the company was able to surpass its profit targets of the last 20 years.

(a) Identify and explain the method of training given by 'Caro' to its drivers.

Solution (a):

On-the-job Training (Vestibule Training): 1. **Nature:** - Practical training using actual equipment - Simulated work environment

2. **Implementation:** - Used company cars for training - Created separate training unit

3. **Benefits:** - Real-world experience - Immediate application

(b) Also, state any two advantages the drivers will get after this training.

Answer (b):

Advantages: 1. **Skill Development:** - Specialized handling of luxury cars - Technical know-how of sophisticated systems

2. **Employment Value:** - Enhanced employability - Higher earning potential

Quick Tip

For training method questions, look for keywords like "used actual equipment", "separate training unit", or "simulated environment" to identify vestibule training.

22. State any three protective functions of 'Securities and Exchange Board of India'.

Solution:

Protective Functions of SEBI: 1. **Investor Protection:** - Prevents fraudulent/unfair trade practices - Educates investors about market risks

2. **Market Regulation:** - Prohibits insider trading - Checks price rigging/manipulation

3. **Intermediary Oversight:** - Registers and monitors brokers - Ensures adherence to code of conduct

Quick Tip

SEBI's protective functions always focus on three key areas: investor protection, market integrity, and intermediary regulation. Remember the "I-M-I" pattern (Investors-Market-Intermediaries).

23. 'Cortico Fabrics' was started by Ashish in 2001 to sell bed sheets, towels, comforters, pillows, cushions, bath mats etc. It is now a famous name and its branches are across India. To manage the work all over India, it has eight teams-two each for North, South, East and West India. Ashish spends a considerable amount of time to develop an orderly pattern of group efforts among different teams and to secure unity of action in pursuit of a common purpose. To ensure suitable allocation of tasks to the various members of the teams and to see that the tasks are performed with harmony among the members, he tries to balance the different teams at different locations.

(a) Identify and explain the concept of management discussed in the above para.

Solution (a): Coordination is the management concept being discussed, which can be explained through following aspects:

1. **Definition:** Coordination refers to the synchronization of efforts of various departments and individuals to achieve organizational goals efficiently.

2. **Key Characteristics:**

- *Integrative Process:* Binds all management functions (planning, organizing, staffing etc.)
- *Continuous Activity:* Required at all levels of management
- *Deliberate Effort:* Needs conscious planning as shown by Ashish's actions

3. **Evidence from Case:**

- Developing "orderly pattern of group efforts" across 8 teams
- Ensuring "unity of action" towards common purpose
- "Balancing different teams" at various locations

4. Theoretical Perspective:

- Henri Fayol's principle of 'Unity of Direction'
- Part of Luther Gulick's POSDCORB (Planning, Organizing, Staffing, Directing, Coordinating, Reporting, Budgeting)

(b) Also, explain any one point of importance of the concept identified in (a) above.

Solution (b): Importance of Coordination - Ensures Unity of Action:

1. **Eliminates Duplication:** Prevents different departments from working at cross-purposes (e.g., North and South teams developing competing products)
2. **Optimal Resource Utilization:** Ensures human and material resources are allocated efficiently across all regions
3. **Conflict Resolution:** Harmonizes differences in approach between various teams (East vs West preferences)
4. **Goal Congruence:** Aligns individual departmental objectives with organizational goals (all teams working towards common brand image)
5. **Case Specific Example:** Ashish's coordination prevents situations where North India team overproduces while South team faces shortages

Quick Tip

Coordination questions often feature keywords like "harmony", "unity of action", or "balancing efforts". Always link to Fayol's principles.

24. State any three points of importance of staffing function of management.

Solution: Importance of Staffing:

1. **Optimal Human Resource Utilization:**
 - Right person for right job improves productivity
 - Example: IT company hiring certified programmers
 - Prevents overstaffing/understaffing
2. **Organizational Growth & Development:**
 - Trained employees adapt to new technologies

- Succession planning ensures leadership pipeline
- Example: Management trainee programs in MNCs

3. **Enhanced Job Satisfaction & Morale:**

- Proper selection reduces job misfits
- Training improves employee confidence
- Example: Google's career development programs

4. **Competitive Advantage:**

- Skilled workforce differentiates organization
- Example: Apple's design team expertise

5. **Change Management:**

- Flexible workforce adapts to market changes
- Example: COVID-19 remote work transitions

Quick Tip

For staffing importance, remember "POG" - Productivity, Organizational growth, and Goodwill. Always give contemporary examples.

25. Inspired by the success of Chandrayaan-3, the Chief Scientist at 'Space Rover' a private research group, decided to send some innovative ideas regarding the mission to the Chief Scientist of Chandrayaan-3. The Chief Scientist at 'Space Rover' formed four groups for the same. As it was an intellectual activity of thinking rather than doing, these four groups started interacting with each other and friendships developed. On the basis of their interaction and friendship, some members from each group formed 'Entertainment Through Reading' group which showed conformity in terms of their interest. 'Entertainment Through Reading' group had no written rules, was unstable in form and scope and had no fixed lines of communication. The members of this group enhanced the morale of each other, enjoyed drinking coffee together, read books, served different issues of their work areas and provided support to each other. Ultimately this group developed some innovative ideas which were

sent by 'Space Rover' to the Chief Scientist of Chandrayaan-3. Though this group was formed for recreation but it contributed towards fulfillment of organisational objectives.

(a) Identify and explain the type of organization which emerged as 'Entertainment Through Reading'.

Solution(a): Informal Organization:

1. **Definition:** A network of personal and social relationships arising spontaneously as people associate with one another in workplace

2. **Key Characteristics:**

- *Emergent Structure:* Not created deliberately (evolved from friendships)
- *Social Nature:* Based on common interests (reading)
- *Flexible:* No fixed rules/channels

3. **Evidence from Case:**

- Formed through personal interactions
- No formal structure/rules
- Voluntary participation

4. **Theoretical Basis:**

- Elton Mayo's Hawthorne Studies findings
- Contrasts with formal organizational chart

5. **Types:**

- Interest groups (reading)
- Friendship groups
- Reference groups

(b) State any three advantages of the type of organisation identified in (a) above.

Answer (b): Advantages of Informal Organization:

1. **Faster Communication:**

- Grapevine spreads information quickly
- Example: News about Chandrayaan-3 discussions

2. **Social Satisfaction:**

- Fulfills belongingness needs (Maslow)
- Example: Coffee breaks and book discussions

3. Innovation & Creativity:

- Free exchange of ideas
- Example: Development of innovative concepts

4. Supplement to Formal System:

- Achieves goals beyond formal structure
- Example: Mission ideas submission

5. Stress Reduction:

- Provides emotional support
- Example: Members boosting morale

Quick Tip

Informal organization questions feature keywords like "friendships", "no rules", and "common interests". Always mention Hawthorne Studies.

26. Kewalram started a sweets shop 'Karamati Sweets' in 1950. The sweets were famous all over India for their good quality and people would come from far and wide to purchase sweets from him. As he grew old, he could no longer run the shop. So, he sold the shop to one of his neighbours 'Bholaram'. After a few months, to further increase the revenue, 'Bholaram' started engaging in unfair trade practices like using adulterated khoya and paneer. He thought that no one would know about it as 'Karamati Sweets' had a good image in the eyes of the people.

Slowly, people started falling sick after consuming sweets purchased from 'Karamati Sweets' but they did not know where to go and to whom to complain. Raghav, a resident of the village had recently completed his studies. He was also a member of a non-governmental organisation. 'Meri Voice'. He felt that the villagers should be made aware about the rights and reliefs available to them. He started creating awareness about consumer rights among the villagers to protect their interest through a series of talks and presentations in the village.

(a) Identify and explain the consumer right discussed in the above para.

Solution (a): Right to Consumer Education is being discussed:

1. **Definition:** The right to acquire knowledge and skills to be an informed consumer throughout life.

2. **Key Aspects:**

- Awareness about product quality standards
- Knowledge about redressal mechanisms
- Understanding of legal protections

3. **Evidence from Case:**

- Raghav's awareness campaigns
- NGO 'Meri Voice' initiatives
- Villagers' lack of complaint knowledge initially

4. **Legal Basis:**

- Consumer Protection Act 2019, Section 2(9)
- Includes right to know about:
 - (a) Quality/quantity standards
 - (b) MRP and taxes
 - (c) Warranty/guarantee terms

5. **Implementation:**

- National Consumer Helpline (1800-11-4000)
- Consumer clubs in schools
- Jago Grahak Jago campaign

(b) Also, identify and explain the consumer right violated by 'Bholaram' in the above case.

Solution (b): Right to Safety was violated:

1. **Definition:** Protection against hazardous goods and services that threaten life/property.

2. **Violation Details:**

- Adulterated khoya/paneer usage
- Health hazards causing sickness

- FSSAI standards violation

3. Legal Provisions:

- Food Safety and Standards Act 2006
- Penalty: Up to 10 lakh + imprisonment
- Consumer can claim:
 - (a) Medical compensation
 - (b) Product replacement
 - (c) Punitive damages

4. Case Analysis:

- Adulterants used: Starch, urea, artificial sweeteners
- Health impacts: Food poisoning, kidney damage
- Deceptive practice: Hidden ingredient change

5. Redressal Mechanism:

- District Consumer Commission
- State Food Safety Authority
- Criminal complaint under IPC 272 (Adulteration)

Quick Tip

For consumer rights questions, remember "SIR BEC" - Safety, Information, Redressal, Basic needs, Education, Choice. Always quote relevant sections.

27. (a) State any four points of importance of planning function of management.

OR

(b) Explain the following types of plans : (i) Objective (ii) Programme

Solution (a): Importance of Planning:

1. Provides Direction:

- Aligns all departments towards common goals
- Example: Reliance Jio's 4G rollout strategy

- Reduces aimless activities

2. **Reduces Uncertainty:**

- Anticipates changes through forecasting
- Example: Pharma companies' vaccine planning during COVID
- Contingency plans for emergencies

3. **Minimizes Waste:**

- Optimal resource allocation
- Example: Toyota's Just-In-Time inventory
- Prevents over/under utilization

4. **Facilitates Control:**

- Standards for performance measurement
- Example: Quarterly sales targets
- Corrective action basis

5. **Promotes Innovation:**

- Creative thinking during planning process
- Example: Apple's product roadmap
- Encourages breakthrough ideas

Solution (b):

(i) Objectives:

1. **Definition:** End results to be achieved by an organization

2. **Characteristics:**

- Specific and measurable
- Time-bound
- Organization-wide

3. **Examples:**

- "Increase market share by 15
- "Achieve 500 crore revenue by 2025"

4. **Hierarchy:**

- Derived from organizational purpose
- Basis for departmental goals

5. **SMART Criteria:** Specific, Measurable, Achievable, Relevant, Time-bound

(ii) **Programme:**

1. **Definition:** Comprehensive plan including objectives, policies, procedures

2. **Components:**

- Budget allocation
- Time schedules
- Responsibility assignment

3. **Examples:**

- "Digital India Initiative"
- "Swachh Bharat Abhiyan"

4. **Implementation:**

- Requires coordination across departments
- Often has sub-programs

5. **Features:**

- Single-use plan
- Large-scale operations
- Detailed action steps

Quick Tip

For planning questions, use "DR. MICE" - Direction, Reduction of uncertainty, Minimizes waste, Innovation, Control, Efficiency. For plans classification, remember "SOP" - Single-use, Ongoing, and Plans.

28. Differentiate between 'Product Concept' and 'Societal Marketing Concept' of marketing management philosophies on the basis of : (a) Meaning (b) Main focus (c) Means (d) Ends

Solution:

Basis	Product Concept	Societal Marketing Concept
Meaning	Focuses on product quality, features and continuous improvement	Focuses on delivering value while maintaining consumer/societal well-being
Main Focus	<ul style="list-style-type: none"> • Product excellence • Technical innovation • Performance enhancement 	<ul style="list-style-type: none"> • Customer satisfaction • Social responsibility • Environmental protection
Means	<ul style="list-style-type: none"> • R&D investment • Quality control • Feature addition 	<ul style="list-style-type: none"> • Ethical marketing • Sustainable practices • Cause-related programs
Ends	<ul style="list-style-type: none"> • Profit through superior products • Example: Rolex watches 	<ul style="list-style-type: none"> • Triple bottom line (People, Planet, Profit) • Example: Patagonia's eco-friendly policies

Quick Tip

For marketing concepts, remember "PPS" - Production, Product, Selling (old concepts) vs "MSS" - Marketing, Societal, Sustainable (modern concepts). Always give contrasting examples.

29. A Business Process Outsourcing centre, 'Chromosome' which deals in conversion of voice reports dictated by physicians and other healthcare providers into text format has 40

employees. They ensure that their employees are well versed in at least one foreign language and one Indian language. The employees are also given the required training to ensure that the reports are processed correctly as they are the backbone of the patients' medical history. On frequent complaints about some of its employees, it was observed that they were facing problems in decoding the message as they were not very proficient with the language in which the voice message was received. As a result, they would make mistakes causing different meaning to the message. Not only this, sometimes there were technical words used in voice reports, the actual meaning of which was also not understood by the employees. Due to this, 'Chromosome' was slowly losing its business to competitors.

The above case highlights two communication barriers. Identify and explain these barriers.

Solution: The two communication barriers evident in the case are:

1. Language/Semantic Barrier

- *Definition:* Obstacles caused by differences in language, vocabulary or interpretation
- *Case Evidence:*
 - Employees "not very proficient with the language"
 - "Mistakes causing different meaning to the message"
- *Impact:*
 - Medical report inaccuracies
 - Loss of client trust
- *Solution:*
 - Advanced language training
 - Medical terminology workshops

2. Technical/Jargon Barrier

- *Definition:* Difficulty in understanding specialized terminology
- *Case Evidence:*
 - "Technical words... actual meaning not understood"
 - Healthcare-specific terminology
- *Impact:*
 - Incorrect transcriptions

- Competitive disadvantage
- *Solution:*
 - Glossary of medical terms
 - Subject matter expert consultations

Quick Tip

For communication barriers, remember "LJ PSST" - Language, Jargon, Psychological, Status, Semantic, Technological. Always match barriers with case evidence.

30. (a) Explain the following functions of marketing : (i) Customer support services (ii)

Physical distribution

OR

(b) State any four factors which affect the fixation of price of a product.

Solution (a):

(i) Customer Support Services:

1. *Definition:* Post-sale services ensuring customer satisfaction

2. *Components:*

- Installation assistance
- Maintenance services
- Complaint resolution
- Technical support

3. *Importance:*

- Builds brand loyalty (Example: Apple Genius Bar)
- Generates repeat business
- Differentiates from competitors

4. *Trends:*

- 24/7 chatbots
- Predictive maintenance

(ii) Physical Distribution:

1. *Definition:* Movement of goods from producers to consumers

2. *Components:*

- Transportation (Example: Amazon logistics)
- Warehousing
- Inventory management
- Order processing

3. *Importance:*

- Place utility creation utility creation
- Competitive advantage (Example: Zara's fast fashion)

4. *Challenges:*

- Last-mile delivery costs
- Reverse logistics

Solution (b): Factors Affecting Price Determination:

1. Product Cost

- Fixed and variable costs
- Break-even analysis
- Example: Pharmaceutical pricing

2. Demand Elasticity

- Price sensitivity
- Luxury vs necessity goods
- Example: Airline dynamic pricing

3. Competition

- Market structure
- Competitor pricing
- Example: Telecom price wars

4. Government Regulations

- Price ceilings/floors
- Taxes and duties
- Example: Drug price control

5. Marketing Objectives

- Market penetration
- Skimming strategy
- Example: iPhone launch pricing

Quick Tip

For pricing factors, remember "CD GEM" - Cost, Demand, Government, Elasticity, Market objectives. For distribution, think "TWIO" - Transportation, Warehousing, Inventory, Order processing.

31. (a) Explain the following characteristics of principles of management : (i) Universal applicability (ii) Formed by practice and experimentation (iii) Contingent

OR

(b) Explain the following principles of management : (i) Division of work (ii) Order (iii) Unity of command

Solution (a):

(i) Universal Applicability:

1. *Definition:* Applicable to all types of organizations

2. *Manifestation:*

- Across industries (Example: Healthcare to IT)
- At all management levels
- In different cultures

3. *Examples:*

- Discipline principle in armies and schools
- Unity of command in MNCs and startups

4. *Limitations:*

- Requires contextual adaptation
- Not absolute laws

(ii) Formed by Practice and Experimentation:

1. *Definition:* Evolved through observation and testing

2. *Process:*

- Observation (Example: Hawthorne studies)
- Trial-and-error
- Continuous refinement

3. *Evidence:*

- Fayol's mining company experience
- Taylor's time-motion studies

(iii) Contingent:

1. *Definition:* Dependent on situational factors

2. *Factors:*

- Organizational culture
- Business environment
- Technology

3. *Examples:*

- Flexible vs rigid hierarchy
- Centralization in crises

Solution (b):

(i) Division of Work:

1. *Definition:* Specialization of tasks

2. *Benefits:*

- Increased efficiency
- Skill development
- Example: Assembly line production

3. *Implementation:*

- Departmentalization
- Job descriptions

(ii) Order:

1. *Definition:* Systematic arrangement

2. *Types:*

- Material order (Example: 5S methodology)
- Social order (Right person at right place)

3. *Outcomes:*

- Reduced waste
- Safety improvements

(iii) Unity of Command:

1. *Definition:* One employee - one boss

2. *Purpose:*

- Clear accountability
- Avoids conflicting orders

3. *Challenges:*

- Matrix organizations
- Project-based work

Quick Tip

For management principles, remember "FUD" - Fayol's Universal principles, Urwick's synthesis, Drucker's modifications. For characteristics, use "UFC" - Universal, Flexible, Contingent.

32. (a) Explain the following factors affecting the working capital requirements of a business

: (i) Inflation (ii) Business cycle (iii) Nature of business

OR

(b) Explain the following factors affecting the dividend decision of a company : (i) Access to capital market (ii) Legal constraints (iii) Taxation policy

Solution (a):

1. Inflation

- *Definition:* Sustained increase in general price levels
- *Impact on Working Capital:*
 - Higher input costs increase current assets requirement
 - More funds needed to maintain same inventory levels
 - Example: Steel industry during 2022-23 inflation surge
- *Management Strategies:*
 - Just-in-time inventory
 - Forward contracts for raw materials
- *Quantitative Effect:*
 - 10% inflation may require 12-15% more working capital

2. Business Cycle

- *Definition:* Fluctuations in economic activity
- *Phases Impact:*

Phase	Working Capital Need
Boom	High (expand operations)
Recession	Low (reduce inventory)
Recovery	Increasing

- *Case Example:*
 - Automobile companies during COVID-19 lockdowns

3. Nature of Business

- *Comparison:*

Business Type	WC Need	Reason
Trading	High	Rapid inventory turnover
Manufacturing	Moderate	Production cycle
Service	Low	Few physical assets

- *Industry Specifics:*

- FMCG: High (distribution networks)
- Software: Low (digital products)

Solution (b):

1. Access to Capital Market

- *Relationship:*
 - Easy access → Higher dividends
 - Difficult access → Retain earnings
- *Case Examples:*
 - Startups vs established MNCs
 - SEBI regulations impact
- *Financing Options:*

	Source	Dividend Policy	Impact
	Equity	Flexible dividends	
	Debt	Restricted dividends	

2. Legal Constraints

- *Key Regulations:*
 - Companies Act 2013 (Section 123)
 - Capital impairment rules
 - Contractual restrictions
- *Compliance Requirements:*
 - Dividend Distribution Policy (Rule 43D)
 - Capital adequacy norms

3. Taxation Policy

- *Current Framework:*
 - Dividend Distribution Tax (DDT) abolished
 - TDS under Section 194
- *Comparative Analysis:*

Regime	Year	Impact
Classical	Pre-2003	Double taxation
DDT	2003-2020	Corporate burden
Current	Post-2020	Shareholder taxation

Quick Tip

For working capital, remember "FIN" - Fluctuations (business cycle), Inflation, Nature of business. For dividends, think "LATE" - Legal, Access, Taxation.

33. Memo Builders' was constructing a five star hotel for a leading hotel chain. The hotel had to be given possession by next year but the construction of the hotel was running six months behind schedule. The Chief Executive Officer of 'Memo Builders' was concerned as Memo Builders was known for its quality and timely completion of projects. He asked Nitin, the senior of the Project Head for a thorough investigation. Nitin investigated and reported to the Chief Executive Officer that inspite of huge absenteeism of workers, additional workers were not called. Nitin also reported to the Chief Executive Officer that three of the ten machines being used by the workers were defective. Nitin ordered for repair of the machines and asked the Project Head to appoint additional workers with attractive wages to ensure that the deadline is met.

(a) Identify the function of management. Quoting the lines from the above para, explain the steps of the process of the function of management discussed. (b) Also explain any two points of importance of the function of management identified in (a) above.

Solution (a): Controlling Function is being demonstrated:

1. Process Steps with Evidence:

Step	Case Evidence
1. Setting Standards	"hotel had to be given possession by next year"
2. Measuring Performance	"construction...running six months behind schedule"
3. Comparing Results	"thorough investigation" by Nitin
4. Identifying Deviations	"huge absenteeism...defective machines"
5. Corrective Action	"repair of machines...appoint additional workers"

2. Control Types:

- Concurrent Control: Machine repairs during process
- Feedback Control: Post-investigation actions

3. Control Techniques:

- Special Report: Nitin's investigation
- Operational Audit: Project review

Solution (b): Importance of Controlling:

1. Ensures Goal Achievement

- Aligns actual performance with plans
- Case Link: Deadline adherence
- Corporate Example: SpaceX launch schedules

2. Optimal Resource Utilization

- Identifies wastage (defective machines)
- Improves efficiency
- Industry Application: Lean manufacturing

3. Accuracy of Standards

- Provides feedback for future planning
- Quality assurance

- Benchmarking opportunity

Quick Tip

For controlling process, remember "SMCAC" - Standards, Measurement, Comparison, Analysis, Correction. Always match steps with case evidence.

34. The G20 Summit was organised in India. The government left no stone unturned to make G20 summit a success. At the higher level, the work to be performed was identified and grouped to enable people to work most effectively together for accomplishing objectives. This involved building infrastructure, beautification of the city, hospitality, security arrangements etc. Duties were assigned to different job positions which led to establishment of clear relationships. This helped in creating a hierarchical structure and in co-ordination amongst all working for the summit.

(a) Identify and explain the function of management discussed in the above para. (b) Explain any four points of importance of the function identified in (a) above.

Solution (a): Organizing Function:

1. **Definition:** Process of identifying, grouping and assigning activities
2. **Key Elements:**

Element	Case Evidence
Identification of work	"building infrastructure...security arrangements"
Departmentalization	Grouped by functions (hospitality, security etc.)
Assignment of duties	"Duties were assigned to different job positions"
Hierarchy creation	"establishment of clear relationships"

3. Organizational Structure:

- Functional structure evident
- Clear chain of command

Solution (b): Importance of Organizing:

1. **Specialization**

- Division of labor
- Example: Dedicated security teams

2. **Clarity in Roles**

- Avoids duplication
- Example: Clear hospitality protocols

3. **Optimal Resource Use**

- Proper allocation
- Example: Infrastructure teams deployment

4. **Adaptability**

- Scalable structure
- Example: Additional staff for contingencies

5. **Coordination**

- Inter-department harmony
- Example: Security-hospitality coordination

Quick Tip

For organizing function, remember "D-A-D-S" - Division of work, Authority delegation, Departmentalization, Span of control. Always link to Fayol's principles.