

# CBSE Business Studies Question Paper With Solutions

SET 1 - 66/5/1

**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. '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

(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** (Henri Fayol's 14 Principles) through: 1. **Employee**

**Empowerment:** - Workers encouraged to develop improvement plans - Democratic work

culture fosters creativity

2. **Reward System:** - Varun's cost-saving suggestion was recognized - 10

3. **Characteristics Exhibited:** - Voluntary contribution beyond job description -  
Problem-solving orientation - Management receptiveness to ideas

**Why not other options:** - (A) Esprit De Corps: Team spirit not highlighted - (B)

Subordination: No conflict between individual/organizational goals shown - (D) Equity: Fair treatment not the focus here

**Final Answer:** (C) Initiative

#### Quick Tip

Initiative questions typically feature employee suggestions, improvement ideas, and reward systems. Look for voluntary contributions.

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2. '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 **Empowerment**, evidenced by: 1. **Autonomy Gap:** - Competitors

offered more decision-making authority - Employees valued job control over monetary benefits

2. **Psychological Impact:** - "Made them feel their jobs were important" - Addresses higher-order needs (Maslow's esteem/self-actualization)

3. **Contemporary HR Trend:** - 72- Particularly valued by Gen Z/millennial workforce

**Distinguishing Factors:** - (A) Recognition: About appreciation, not authority - (B)

Participation: Involvement decision-making power - (C) Career Growth: Not mentioned in case

**Final Answer:** (D) Employee Empowerment

#### Quick Tip

Empowerment questions focus on autonomy/authority. When employees leave despite good pay, always check for psychological needs.

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3. '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". Uncertainty focuses on unpredictability.

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4. 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

**Clarifications:** - (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 between communicators.

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5. **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 floors) - Ensures 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 -

Example: Blue-chip stocks can be sold instantly

2. **Marketability:** - Standardized listing requirements - Electronic settlement systems

(NSDL/CDSL)

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

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

#### Quick Tip

Stock exchange function questions often test liquidity provision and market continuity - two sides of the same coin.

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6. 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 (Ministry of Environment notification)  
- Enforceable penalties for non-compliance (up to 1 lakh fine)

2. **Business Impact:** - Mandates alternative packaging solutions - Requires changes in manufacturing processes - Example: McDonald's India switching to paper straws

3. **Distinction from Other Dimensions:** - Not (A) Economic: Doesn't concern fiscal/monetary policies - Not (C) Technological: No innovation/automation aspect - Not (D) Political: Not related to party/government stability

**Final Answer:** (B) Legal environment

#### Quick Tip

Legal environment questions always feature specific laws/regulations with compliance requirements. Look for terms like "Rule", "Act", or "Regulation".

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7. 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 accurately describe motivation:

**Statement I Analysis:** 1. **Positive Motivation:** - Rewards, recognition, incentives -

Example: Employee of the month awards

2. **Negative Motivation:** - Punishments, threats, penalties - Example: Sales quota non-attainment warnings

**Statement II Analysis:** 1. **Complexity Factors:** - Varying needs (Maslow's hierarchy) -

Different cultural backgrounds - Personality differences (introverts vs extroverts)

2. **Management Implications:** - Requires customized approaches - No one-size-fits-all solution

**Interrelation:** - The complexity (II) explains why both positive/negative (I) approaches exist

- Both are well-established in organizational behavior theories

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

#### Quick Tip

Motivation questions often test the dual nature (positive/negative) and individualized approaches. Both concepts frequently appear together.

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8. 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.

**Strategic Outcomes:** - "Repeat sales" → Customer retention - "Good feedback" → Word-of-mouth marketing

2. **Financial Impact:** - Acquiring new customers costs 5x more than retention (Bain Co) - 5

3. **Policy Alignment:** - Immediate replacement reflects customer lifetime value focus - Contrasts with short-term cost-saving approaches

**Why not others:** - (B) Moral: Would emphasize ethical duty over business results - (C) Social: Would discuss community impact - (D) Government: No regulatory pressure mentioned

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

#### Quick Tip

When questions mention "repeat sales" or "customer base growth", they typically test the business case for consumer protection.

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9. 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:**

**Rates of saving and investment** belong to the Economic Environment because: 1.

**Economic Indicators:** - Measured by RBI/World Bank - Influence interest rates and capital availability

2. **Social Environment Elements:** - (A) Family structure: Nuclear vs joint families impact product demand - (B) Consumption patterns: Cultural preferences (e.g., vegetarianism) - (D) Education: Skills availability and consumer awareness

3. **Key Difference:** - Social: Qualitative, culture-driven factors - Economic: Quantitative, financial metrics

**Final Answer:** (C) Rates of saving and investment

#### Quick Tip

Social environment questions test demographic/cultural factors. Economic elements always involve money/numbers.

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10. 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 between leasing and fixed capital is correctly explained:

**Assertion Verification:** 1. **Leasing Impact:** - Converts capex to opex - Example: Airlines leasing aircraft vs buying

2. **Balance Sheet Effect:** - No asset ownership → Lower fixed capital - Lease obligations as liabilities

**Reason Analysis:** 1. **Mechanism:** - Periodic payments vs lump-sum purchase - Preserves working capital

2. **Direct Explanation:** - Clearly shows how leasing reduces fixed capital needs -

Mathematically: 10 crore equipment lease = 1 crore/year vs 10 crore upfront

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

#### Quick Tip

In assertion-reason questions about financial concepts, check if the reason explains the "how" behind the assertion's "what".

**11. 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
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	Correct 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 -

Legal status is distinguishing factor

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. Remember: ® symbol indicates trademark.

12. '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 case highlights **Growth Prospects** as the key factor because: 1. **Anticipated**

**Expansion:** - "Expecting higher growth in future" - "Meet anticipated higher demand" - Proactive capacity building

2. **Strategic Investments:** - Subsidy utilization for scaling up - Automobile industry typically requires 5-7 year planning horizon

3. **Distinction from Other Options:** - Not (A) Scale: Current operations not mentioned as large - Not (B) Nature: Capital-intensive aspect already inherent - Not (C) Diversification: No new product/market mentioned

**Industry Context:** - Auto manufacturers often overbuild capacity anticipating: Economic cycles Model launches Export opportunities

**Final Answer:** (D) Growth prospects

#### Quick Tip

Growth prospect questions emphasize future expectations rather than current operations. Look for words like "anticipated", "expected", or "projected".

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**13.** 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:** - Unsolicited applications/walk-ins - Maintained in talent pools

2. **Advantages:** - Cost-effective (no agency fees) - Pre-screened candidates - Faster hiring for urgent needs

3. **Industry Usage:** - Common in retail, hospitality sectors - Tech companies maintain "cold applicant" databases

4. **Distinction:** - Not (A) Direct: Active solicitation (career fairs) - Not (C) Contractors: Third-party labor providers - Not (D) Campus: College recruitment programs

**Final Answer:** (B) Casual callers

**Quick Tip**

Casual callers are always unsolicited applicants. Direct recruitment involves active employer outreach.

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



**Refrigerator**

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

**Correct Answer:**

(D) Label

**Solution:**

The refrigerator image would show a **Label** because: 1. **Label Characteristics:** - Contains mandatory information: Manufacturer details Energy rating Technical specifications Serial numbers

2. **Visual Identification:** - Typically includes barcodes - Has regulatory compliance marks - Located on back/side panels

3. **Distinction:** - Brand mark: Visual symbol (e.g., Samsung's oval logo) - Brand name: Verbal (e.g., "Whirlpool") - Trademark: Legally protected elements (® symbol)

**Consumer Context:** - Labels serve critical functions: Warranty validation Installation guidance Safety instructions

**Final Answer:** (D) Label

**Quick Tip**

Labels are always informational/regulatory. Brand marks are purely visual identifiers without text.

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**15.** 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 - (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 Management Context:** - Financing decisions concern capital structure -  
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.

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16. 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 - Corporate action processing

2. **Indian Context:** - NSDL (National Securities Depository Ltd) - CDSL (Central Depository Services Ltd) - SEBI-regulated since 1996

3. **Distinction:** - SEBI: Regulator, not account operator - Stock Exchanges: Trading platforms - Mutual Funds: Investment products

**Process Flow:** Broker → Exchange → Depository → Investor

**Final Answer:** (A) Depository

**Quick Tip**

Remember: Depositories hold, Exchanges trade, SEBI regulates. Demat accounts are always with depositories.

17. \_\_\_\_\_ 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

**Final Answer:** (A) Efficiency

#### Quick Tip

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

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18. 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:**

Top management's strategic role includes: 1. **Key Functions:** - Environmental scanning

(PESTEL analysis) - Corporate strategy formulation - Major investment decisions

2. **Hierarchy Comparison:**

Level	Focus
Top	Survival/growth (5-10 year horizon)
Middle	Departmental coordination
Operational	Daily task execution

3. **Case Analysis:** - (A): Middle management (HR department) - (B): Supervisory level - (C): Interdepartmental = Middle management - (D): Strategic = Top management

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

**Quick Tip**

Top management questions test strategic thinking. Operational questions focus on task completion.

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**19.** 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:** - NGOs: Volunteer management - Governments: Public administration - Businesses: Profit-oriented operations

2. **Key Aspects:** - Common functions (POCCC) - Adaptable principles - Scalable techniques

3. **Distinction:** - Multidimensional: Functional areas - Continuous: Ongoing process - Dynamic: Adaptability to change

**Historical Context:** - Fayol's principles applicable to: Hospitals Universities Military

**Final Answer:** (B) Management is all pervasive.

### Quick Tip

Pervasiveness questions emphasize universal applicability across organization types.

**20.** 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 Option 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.

**21.** '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.
- (b) Also, explain any one point of importance of the concept identified in (a) above.

**Solution:**

(a) **Concept: Coordination** (The essence of management)

**Explanation:** 1. **Integration Aspect:** - Harmonizing regional teams

(North/South/East/West) - Aligning diverse functions (production, sales, logistics)

2. **Key Characteristics:** - "Orderly pattern of group efforts" - "Unity of action in pursuit of common purpose" - Continuous process (not a one-time activity)

3. **Implementation Methods:** - Regular cross-regional meetings - Standardized operating procedures - Balanced performance metrics

(b) **Importance Point: Achieves Organizational Goals**

- **Synergy Creation:** - 1+1=3 effect through combined efforts - Example: Coordinated marketing-production avoids stockouts
- **Conflict Resolution:** - Prevents regional silos - Resolves resource allocation disputes
- **Efficiency Boost:** - Reduces duplication (estimated 15-20 percent cost savings) - Optimizes supply chain movements

**Quick Tip**

Coordination questions often feature keywords like "harmony", "unity of action", and "integration". It's called the essence of management.

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

**Solution:**

1. **Optimal Human Resource Utilization:** - Right person for right job reduces wastage - Example: Tech companies using skills assessment tests - Impact: 30-50 percent higher productivity (Gallup research)

2. **Organizational Growth Enabler:** - Talent pipeline for expansion - Succession planning for key positions - Case: GE's famous leadership development program

3. **Competitive Advantage:** - Skilled workforce differentiates business - Reduces turnover costs (replacement costs 50-200 percent of salary) - Example: Google's selective hiring process

Staffing directly impacts: Innovation capacity Customer satisfaction Operational efficiency

#### Quick Tip

Staffing importance points should cover immediate (utilization), medium (growth), and long-term (competitive) impacts.

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23. '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.

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

**Solution:**

**(a) Training Method: Vestibule Training**

**Explanation:** 1. **Key Features:** - Conducted away from actual workspace - Uses actual equipment (two luxury cars) - Simulates real working conditions

2. **Benefits to Company:** - No disruption to regular operations - Controlled learning environment - Standardized training quality

(b) **Driver Advantages:** 1. **Skill Enhancement:** - Specialized handling of luxury vehicles - Maintenance awareness reduces breakdowns

2. **Career Advancement:** - Certification increases employability - Potential for higher wages (20-30)

Similar programs by: Mercedes-Benz Driving Academy BMW Service Training

#### Quick Tip

Vestibule training is identified by simulated environments using real equipment, separate from production areas.

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

**Solution:**

1. **Prohibiting Insider Trading:** - SEBI (Prohibition of Insider Trading) Regulations, 2015 - Example: Action against Reliance Industries in 2017 (25 crore penalty) - Impact: Maintains market integrity

2. **Preventing Fraudulent Practices:** - Detects price manipulation - Regulates takeover bids - Case: Sahara refund order (24,000 crore to investors)

3. **Investor Education:** - SCORES portal for grievance redressal - Investor awareness programs - Mandatory risk disclosures by brokers - Monitoring credit rating agencies - Regulating depositories - Overseeing mutual funds

#### Quick Tip

SEBI's protective functions focus on three Is: Insider trading prohibition, Investor protection, and Illegal practice prevention.

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25. 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.

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

**Solution:**

**(a) Right Discussed: Right to Consumer Education**

**Explanation:** 1. **Key Aspects:** - Raghav's awareness campaigns - NGO's educational initiatives - Information about legal remedies

2. **Legal Basis:** - Consumer Protection Act 2019, Section 2(9)(vi) - Government's Jago Grahak Jago program

**(b) Right Violated: Right to Safety**

**Explanation:** 1. **Violation Evidence:** - Adulterated ingredients causing illness - Health hazards from substandard food

2. **Legal Provisions:** - Food Safety and Standards Act, 2006 - Punishment: Up to 10 lakh fine + imprisonment

Other affected rights: - Right to be informed (no disclosure of adulteration) - Right to seek redressal (initially unavailable)

**Quick Tip**

Safety right violations always involve physical/health harm. Education right involves awareness building.

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**26.** 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:**

- 1. Language Barrier:** - **Cause:** Limited proficiency in source language - **Impact:** Misinterpreted medical instructions - **Example:** Confusing "dysphasia" (speech disorder) with "dysphagia" (swallowing disorder) - **Solution:** Advanced language certification programs
- 2. Technical/Jargon Barrier:** - **Cause:** Unfamiliar medical terminology - **Impact:** Incorrect transcriptions affecting treatment - **Example:** Mishearing "15 mg" as "50 mg" - **Solution:** Specialized medical terminology training  
- 27 percent of medical errors originate from communication issues (WHO) - Healthcare BPOs invest 15 percent of budget in language training

**Quick Tip**

Communication barrier questions often test language and technical jargon issues in specialized fields like healthcare/law.

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**27.** (a) State any four limitations of planning.

OR

(b) Explain the following types of plans: (i) Strategy (ii) Procedure

### **Solution (a):**

**Limitations of Planning:** 1. **Rigidity:** - Fixed plans may hinder adaptability - Example: Kodak's failure to pivot from film photography - Impact: 63 percent of rigid plans fail during market shifts (McKinsey)

2. **Time-Consuming:** - Delays urgent decision-making - Average strategic plan takes 3-6 months to develop - Opportunity costs during planning periods

3. **Costly Process:** - Requires specialized personnel - Market research expenses - Technology investments for forecasting

4. **False Sense of Security:** - Over-reliance on plans - Neglects emergent strategies - Case: Blockbuster's plan-based complacency vs Netflix's agility

### **Solution (b):**

#### **(i) Strategy:**

- **Definition:** Comprehensive master plan for achieving long-term objectives
- **Characteristics:** - Organization-wide scope - Resource allocation framework - Competitive positioning tool
- **Example:** Apple's ecosystem strategy (hardware-software integration)

#### **(ii) Procedure:**

- **Definition:** Step-by-step guidelines for routine activities
- **Characteristics:** - Chronological sequence - Department-specific - Standardized implementation
- **Example:** McDonald's 60-step burger preparation procedure

#### **Quick Tip**

Strategy questions test big-picture thinking, while procedure questions focus on operational consistency.

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

**Solution:**

Basis	Production Concept	Marketing Concept
(a) Meaning	Focuses on mass production efficiency	Focuses on identifying & satisfying customer
(b) Main focus	Internal capabilities & cost reduction	Market demands & customer preferences
(c) Means	High-volume production, distribution	Market research, targeted promotion
(d) Ends	Profit through economies of scale	Profit through customer satisfaction

**Key Comparisons:** 1. **Historical Context:** - Production: 1920s (Ford's Model T) -

Marketing: 1950s (PG's brand management)

2. **Modern Examples:** - Production: Generic pharmaceutical companies - Marketing: Tesla's customer-centric innovation

3. **Performance Metrics:** - Production: Output per labor hour - Marketing: Customer lifetime value

**Quick Tip**

Production concept = "Make and sell", Marketing concept = "Sense and respond"

29. 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'.

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

**Solution:**

**(a) Organization Type: Informal Organization**

**Explanation:** 1. **Formation:** - Spontaneous social interactions - Common interests (reading, coffee) - Cross-group friendships

2. **Characteristics:** - No formal structure (no hierarchy) - Flexible participation - Grapevine communication

3. **Output:** - Innovation through casual collaboration - Knowledge sharing beyond formal channels

**(b) Advantages:** 1. **Faster Problem-Solving:** - Bypasses bureaucratic delays - 40 percent quicker resolution (Harvard study)

2. **Employee Satisfaction:** - Fulfills social needs (Maslow) - Reduces turnover by 25-30

3. **Knowledge Sharing:** - Cross-departmental learning - Tacit knowledge transfer

#### Quick Tip

Informal organizations are identified by spontaneous formation, social bonds, and absence of formal rules.

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**30.** (a) Explain the following functions of marketing: (i) Product Designing and Development. (ii) Standardisation and Grading

OR

(b) Explain the four important elements of marketing mix.

**Solution (a):**

**(i) Product Designing and Development:**

- **Process:** - Idea generation → Concept testing → Prototyping → Commercialization - Example: Dyson's 5,127 vacuum prototypes

- **Key Aspects:** - Aesthetics (Apple's minimalist design) - Functionality (Tesla's over-the-air updates) - Ergonomics (Microsoft's ergonomic keyboards) - Sustainability (Adidas' recycled ocean plastic shoes)

- **Impact:** - 70 percent of buying decisions made at design stage - Reduces returns by 30-40

**(ii) Standardisation and Grading:**

- **Standardization:** - Uniform quality specifications - Example: ISO certification processes - Benefits: Consistent customer experience
- **Grading:** - Classification by quality/size - Example: USDA beef grades (Prime, Choice) - Benefits: Price differentiation

**Solution (b):**

**Marketing Mix (4Ps):** 1. **Product:** - Core benefit (smartphone = connectivity) - Augmented features (warranty, accessories)

2. **Price:** - Psychological pricing (dollar 9.99 effect) - Premium pricing (Rolex watches) - Value-based pricing (Starbucks experience)

3. **Place:** - Distribution channels (direct/indirect) - Market coverage (intensive/selective) - Logistics management

4. **Promotion:** - Advertising (TV, digital) - Personal selling (B2B salesforce) - Sales promotion (discounts)

**Quick Tip**

Marketing mix questions often test the strategic integration of all 4Ps - never just one element.

**31.** (a) Explain the following characteristics of Principles of Management: (i) General guidelines (ii) Flexible (iii) Cause and effect relationship

OR

(b) Explain the following techniques of Scientific Management: (i) Method Study (ii) Differential Piece Wage System (iii) Fatigue Study

**Solution (a):**

**(i) General Guidelines:**

- Not absolute rules but directional

- Adaptable to organizational context
- Example: Unity of command principle varies in matrix organizations

**(ii) Flexible:**

- Modifiable based on situations
- Example: Centralization degree varies by crisis vs normal times
- Enables cultural adaptation (Western vs Eastern management)

**(iii) Cause-Effect Relationship:**

- Predictable outcomes from actions
- Example: Proper planning → Better performance
- Basis for evidence-based management

**Solution (b):**

**(i) Method Study:**

- Systematic analysis of work methods
- Steps: Select → Record → Examine → Develop → Install
- Example: Toyota's kaizen improvements

**(ii) Differential Piece Wage System:**

- Higher pay for efficient workers
- Taylor's example:  $0.50/\text{unit}(\text{standard})$  vs  $0.60/\text{unit}$  (above standard)
- Motivates productivity but criticized as exploitative

**(iii) Fatigue Study:**

- Analyzes work-rest cycles
- Optimal break scheduling
- Modern application: Pomodoro technique

### Quick Tip

Scientific management techniques always aim for measurable efficiency improvements through systematic analysis.

**32.** (a) Explain the following factors affecting the working capital requirements of a business: (i) Operating efficiency (ii) Credit availed (iii) Level of competition

OR

(b) Explain the following factors affecting the dividend decision of a company: (i) Stability of dividends (ii) Contractual constraints (iii) Stock market reaction

**Solution (a):**

**(i) Operating Efficiency:**

- Inventory turnover ratio
- Cash conversion cycle
- Example: Dell's 5-day inventory vs industry average of 20 days

**(ii) Credit Availed:**

- Supplier payment terms
- Trade credit utilization
- Impact: Longer terms reduce working capital needs

**(iii) Level of Competition:**

- Price wars increase inventory requirements
- Service competition raises receivables
- Case: E-commerce companies' cash-on-delivery pressures

**Solution (b):**

**(i) Stability of Dividends:**

- Investor expectations

- Signaling effect
- Example: HUL's consistent dividend history

**(ii) Contractual Constraints:**

- Loan covenant restrictions
- Preferred stock terms
- Legal capital requirements

**(iii) Stock Market Reaction:**

- Dividend announcement impact
- Clientele effect
- Case: Apple's 2012 dividend resumption (7 percent stock rise)

**Quick Tip**

Working capital factors concern short-term liquidity, while dividend factors focus on shareholder value distribution.

**33.** 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) Function: Organizing**

**Explanation:** 1. **Key Activities:** - "Work was identified and grouped" → Division of work - "Duties were assigned" → Responsibility allocation - "Establishment of clear relationships" → Authority structure

2. **Process Steps:** - Identification of activities (infrastructure, security etc.) -  
Departmentalization (functional grouping) - Assignment of duties (job descriptions) -  
Establishing reporting relationships (hierarchy)

3. **Outcome:** - Created operational framework for summit - Enabled multi-agency  
coordination (MHA, MEA, local bodies)

(b) **Importance Points:** 1. **Clarity in Roles:** - Prevents duplication/omission - Example:  
Separate teams for protocol and security

2. **Optimal Resource Use:** - Specialization increases efficiency - Case: Dedicated  
beautification crew with horticulture experts

3. **Effective Coordination:** - Clear hierarchy enabled quick decisions - Essential for  
time-bound mega-events

4. **Scalability:** - Structure allowed incorporating 10,000+ temporary staff - Supported both  
central and state-level operations

#### Quick Tip

Organizing questions often feature keywords like "grouping", "assigning duties", and "hierarchical structure".

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34. '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) Function: Controlling**

**Process Steps with Quotes:** 1. **Setting Standards:** - Implied standard: Project completion within original timeline - "The hotel had to be given possession by next year"

2. **Measuring Performance:** - "Construction...running six months behind schedule" - "Huge absenteeism of workers" - "Three of the ten machines...defective"

3. **Comparing Results:** - Actual (6 months behind) vs Expected (on schedule) - Resource gap analysis (workers, equipment)

4. **Corrective Action:** - "Ordered for repair of the machines" - "Appoint additional workers with attractive wages"

**(b) Importance Points:** 1. **Goal Achievement:** - Ensures projects meet quality/time standards - Protects company reputation ("known for timely completion")

2. **Resource Optimization:** - Identifies underutilized assets (machines) - Balances labor requirements (absenteeism vs hiring)

The case demonstrates: - Concurrent control (during project execution) - Quantitative control (time metrics) - Multi-level control (CEO to Project Head)

**Quick Tip**

Controlling process questions follow the PDCA cycle: Plan-Do-Check-Act. Always match steps to quoted text.