CBSE Class 12 Business Studies 2026 — Set 1 — Answer Key

English Medium

Time Allowed: 3 Hours

General Instructions:

1. This is an answer key — each question is shown with its correct answer and a step-by-step explanation.
2. Questions appear in the original paper order.

Q.1

Ritika wanted to buy a new washing machine. She visited 'Elec Duniya', a large electronics store. She saw there many different brands and models on display like KM, Neo, Unipool, INH etc.

The salesperson at the store explained the differences in quality, brand reputation and prices of different washing machines. Ritika could now compare fully automatic, semi-automatic, top load and front load washing machines. The salesperson encouraged her to take her time, check different brands and resolve her queries. Ritika also went to another shop nearby to compare prices and features of different washing machines.

After comparing all the available options, Ritika chose a 'Neo' front load washing machine because it offered the best features within her budget.

The consumer right exercised by Ritika in the above case is :

(a) Right to be heard
(b) Right to be assured
(c) Right to consumer education <<
(d) Right to seek redressal

Explanation:

Ritika compared brands, gathered information, visited multiple shops and made an informed choice.

This reflects the Right to Consumer Education — the right of consumers to acquire the knowledge and skills needed to be an informed consumer.

Q.2

The workers in Alpha manufacturing company were using traditional methods for production of metal parts. Since no standard procedure existed, workers relied on personal experience and guess work. As a result, productivity in the assembly line began to decline.

To improve productivity, the company hired a consultant specializing in scientific management. The consultant explained that there was only one best method to maximize efficiency and this method could be developed through proper study and analysis. He emphasized that the scientific method should replace the old method, that the workers were using.

So, to develop the scientific method, the consultant carefully investigated the traditional methods through work-study and by unifying the best practices, he developed a standard method that would be followed by everyone in the organization.

After applying scientific method, there was a three fold increase in productivity within six months.

The principle of scientific management which helped the company in increasing the productivity was :

(a) Science, not Rule of Thumb <<
(b) Harmony, Not Discord
(c) Cooperation, Not Individualism
(d) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

Explanation:

The consultant replaced traditional methods (rule of thumb) based on personal experience and guesswork with a scientifically developed standard method derived from work-study and analysis.

This is the principle of 'Science, not Rule of Thumb'.

Q.3

Read the following statements carefully:

Statement – I : Consumers should get together and form themselves into

consumer associations for protection and promotion of their interests.
Statement – II : The Consumer Protection Act provides for setting up a two-tier enforcement machinery for the redressal of consumer grievances.

With reference to given statements, choose the correct alternative from the following :

(a) Both the statements are true.
(b) Both the statements are false.
(c) Statement I is true, Statement II is false. <<
(d) Statement I is false, Statement II is true.

Explanation:
Statement I is TRUE: consumers forming associations is a recognised part of consumer protection.
Statement II is FALSE: the Consumer Protection Act provides for a THREE-tier (not two-tier) quasi-judicial machinery — District Commission, State Commission, and National Commission.

Q.4

Identify the element of communication process from the above picture: [The picture shows the element that converts the message into communication symbols]

(a) Feedback
(b) Media
(c) Noise <<
(d) Decoding

Explanation:
The picture on page 7 shows a sender speaking through a megaphone with scrambled/garbled symbols (!*$%~+%x etc.) coming out toward a confused receiver holding their head.
This depicts communication being distorted by an unwanted element — which is Noise (option C).

The current answer of Decoding (D) is incorrect.
The picture does not show a receiver interpreting symbols (Decoding), nor a sender encoding a clear message.
The scrambled output symbols and the receiver's confused/pained reaction are the standard CBSE textbook depiction of Noise in the communication process.
Note: the Visually Impaired variant (Q4_vi) asks a different but related question ('element that converts the message into communication symbols') with Encoding as the correct answer — but Q4 is a picture question and the picture unambiguously shows Noise.

Q.0

For Visually Impaired Candidates: The element of communication process that converts the message into communication symbols is :

(a) Feedback
(b) Media
(c) Decoding
(d) Encoding <<

Explanation:
Encoding is the process by which the sender converts the message into communication symbols (words, gestures, pictures etc.) before transmitting it.
This is distinct from Decoding, which is done by the receiver to interpret the symbols.

Q.5

Read the following statements – Assertion (A) and Reason (R) :
Assertion (A) : Many enlightened business firms have set up their own consumer service and grievance cells.
Reason (R) : The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or service.

Choose the correct alternative from the alternatives given below :

(a) Both Assertion (A) and Reason (R) are false.
(b) Assertion (A) is false and Reason (R) is true.

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

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

Explanation:

Assertion (A) is TRUE: many enlightened business firms do set up consumer service and grievance cells.

Reason (R) is TRUE: consumers have a right to be heard.

R correctly explains A — firms set up grievance cells precisely because consumers have the right to be heard and complain.

Q.6

Sudha is a corporate executive and has to attend a felicitation function to be held in her office tomorrow. So she decides to colour her hair. On recommendation of her friend, she purchased 'NATURO' hair colour. After reading essential details such as shade, its ingredients, usage instructions and expiry date mentioned on the box, Sudha opened the box. She took out the colour tube and developer bottle from the box and threw away the box.

The level of packaging of box thrown away by Sudha was :

(a) Primary packaging

(b) Transportation packaging

(c) Secondary packaging <<

(d) General packaging

Explanation:

The box that contained the primary packages (colour tube and developer bottle) is Secondary Packaging.

Primary packaging is the tube/bottle in direct contact with the product.

Secondary packaging holds the primary packages together.

Transportation packaging is used for shipping.

Q.7

Read the following statements – Assertion (A) and Reason (R) :
Assertion (A) : Money market instruments have a higher degree of liquidity as compared to capital market securities.
Reason (R) : Money market instruments are traded on the stock exchanges.

Choose the correct alternative from the alternatives given below :

(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 and Reason (R) is false. <<
(d) Assertion (A) is false and Reason (R) is true.

Explanation:
Assertion (A) is TRUE: money market instruments (T-bills, commercial paper etc.) are short-term and highly liquid compared to capital market securities.
Reason (R) is FALSE: money market instruments are NOT traded on stock exchanges;
they are traded in the over-the-counter (OTC) market between banks and financial institutions.

Q.8

Ravi purchased gold jewellery from a reputed jewellery store. He ensured that the jewellery had a hallmark which confirm its purity and authenticity. To avoid paying goods and services tax (GST) he asked the salesperson to write the gold weight and making charges on a slip of paper and hand over it to him.

Which of the following responsibilities of a consumer was not fulfilled by Ravi while purchasing jewellery ?

(a) Be aware about various goods and services available in the market so

that an intelligent and wise choice can be made.

(b) Ask for a cash memo on purchase of goods and services. <<

(c) Buy only standardized goods as they provide quality assurance.

(d) Assert yourself to ensure that you get a fair deal.

Explanation:

Ravi deliberately avoided taking a cash memo (proper GST invoice) in order to evade GST.

A consumer's responsibility is to always ask for a cash memo/receipt on purchase of goods and services, as it serves as proof of purchase.

Ravi failed this responsibility.

Q.9

'CARO Tech Solutions' aimed at development of a software system for the company's growing operations. The project was to be completed within six months with a budget of Rs. 12,00,000.

The software development team successfully completed its project on time by outsourcing a part of the project, leading to an additional expense of Rs. 2,00,000.

From the following, identify whether the software development team is :

(a) Efficient and Effective

(b) Efficient but not effective

(c) Effective but not efficient <<

(d) Neither efficient nor effective

Explanation:

Effectiveness means achieving the desired goal (completing the project on time — achieved).

Efficiency means achieving the goal with minimum cost/resources (budget was Rs. 12,00,000 but actual cost was Rs.

14,00,000 — over budget, hence NOT efficient).

Therefore the team was Effective but not efficient.

Q.10

Due to severe winter and rising pollution levels, 'Green India Electronics' planned to launch a new eco-friendly heater in the market. It conducted a survey and found that the demand of this product was very high. As the winter season lasts only for 2 to 3 months, the Chief Executive Officer wanted that there should be close coordination among all the managers to deliver orders on time. Top level managers were asked to work in coordination with their subordinates to ensure that company's policies were properly followed. To ensure that the heaters would be ready on time, the production manager co-ordinated with the operational level managers. Operational level managers co-ordinated the activities of the workers to ensure that work proceeded according to plans. As a result 'Green India Electronics' was able to launch its heaters on time, in the market.

The feature of co-ordination discussed in the above case is :

(a) Co-ordination is a deliberate function.
(b) Co-ordination is the responsibility of all managers. <<
(c) Co-ordination is a continuous process.
(d) Co-ordination ensures unity of action.

Explanation:

The case highlights that the CEO, top level managers, production manager, and operational level managers — all levels of management — were involved in co-ordination.

This illustrates that co-ordination is the responsibility of all managers at all levels, not just the top management.

Q.11

'Business environment keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competitors in

the market.'

The feature of business environment highlighted in the above statement is :

(a) Totality of external forces
(b) Complexity
(c) Dynamic nature <<
(d) Relativity

Explanation:
The statement describes that business environment keeps on changing (technological improvement, shifts in preferences, new competitors).
This refers to the Dynamic nature of business environment, which means it is constantly changing.

Q.12

A position when a company is unable to meet its fixed financial charges like interest payment, dividend on preference shares and repayment obligations is referred to as _____ .

(a) Trading on equity
(b) Financial risk <<
(c) Business risk
(d) Operating risk

Explanation:
Financial risk refers to the situation when a company is unable to meet its fixed financial obligations such as interest payments, preference dividend, and loan repayment.
It arises due to the use of debt financing (financial leverage).

Q.13

Identify the incorrect statement with respect to the importance of planning function of management :

(a) Planning provides directions by stating in advance how work is to be

done. <<

(b) Planning eliminates uncertainty by looking ahead and anticipating changes.

(c) Planning facilitates decision making by making a choice among various alternative courses of action.

(d) Planning promotes innovative ideas as new ideas can take the shape of concrete plans.

Explanation:

Option (A) is INCORRECT.

According to NCERT, planning provides direction by stating in advance WHAT work is to be done (objectives and goals), not 'how' work is to be done.

The 'how' aspect is more related to methods/procedures.

The role of planning in providing direction is about telling members where the organisation is going and what it wants to achieve.

Q.14

Organising is the process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results.

Organising process thus involves a series of steps that need to be taken in order to achieve the desired goal.

Arrange the steps of the process of organizing in the correct order :

(a) Identification and Division of work, Assignment of duties, Departmentalisation, Establishing authority and reporting relationships

(b) Identification and Division of work, Assignment of duties, Establishing authority and reporting relationships, Departmentalisation

(c) Departmentalisation, Identification and Division of work, Establishing authority and reporting relationships, Assignment of duties

(d) Identification and Division of work, Departmentalisation, Assignment of

duties, Establishing authority and reporting relationship <<

Explanation:

The correct sequence of organising process as per NCERT is: (1) Identification and Division of work →

(2) Departmentalisation →

(3) Assignment of duties →

(4) Establishing authority and reporting relationships.

Q.15

Identify the feature of planning which states that the purpose of planning is to meet future events effectively to the best advantage of an organisation :

(a) Planning involves decision making

(b) Planning is futuristic <<

(c) Planning is a mental exercise

(d) Planning focuses on achieving objectives

Explanation:

Planning is futuristic — it involves looking ahead and preparing for the future.

The purpose of planning is to meet future events effectively to the best advantage of an organisation.

All planning is done for the future.

Q.16

Match the principle of management given in Column – I with its explanation given in Column – II :

Column – I	Column – II
(a) Discipline	(i) There should be one and only one boss for every individual employee in the organisation.
(b) Unity of direction	(ii) There should be a place for everything (everyone) and everything (everyone) should be in its (his/her) place.
(c) Order	(iii) There should be obedience to organisational rules and

employment agreement which is necessary for the working of the organisation.

(d) Unity of command (iv) Each group of activities having the same objective must have one head and one plan.

Choose the correct option from the following :

(a) (b) (c) (d)

(a) (iii) (iv) (i) (ii)

(b) (iv) (iii) (ii) (i)

(c) (iv) (iii) (i) (ii)

(d) (iii) (iv) (ii) (i) <<

Explanation:

Discipline (a) = obedience to rules (iii).

Unity of direction (b) = one head and one plan for a group (iv).

Order (c) = a place for everyone/everything (ii).

Unity of command (d) = one boss for each employee (i).

Correct match: (iii)(iv)(ii)(i) = Option (D).

Q.17

The step of controlling process which reveals the deviation between actual performance and desired results is :

(a) Setting performance standards

(b) Analysing deviations

(c) Taking corrective action

(d) Comparing actual performance with the standards <<

Explanation:

The step of 'Comparing actual performance with the standards' reveals the deviation between what was achieved (actual performance) and what was desired (standards). Analysing deviations is the subsequent step that examines why those deviations occurred.

Q.18

'Certain provisions of the Companies Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividend.'

The factor affecting dividend decision discussed above is :

(a) Access to capital market
(b) Contractual constraints
(c) Legal constraints <<
(d) Stock market reaction

Explanation:

The passage refers to provisions of the Companies Act that restrict dividend payouts. Statutory/legal provisions that a company must adhere to while declaring dividends represent Legal constraints — a factor affecting the dividend decision.

Q.19

Read the following statements carefully :

Statement – I : Control should focus on key result areas which are critical to the success of an organization.

Statement – II : Only significant deviations which go beyond the permissible limit should be brought to the notice of management.

With reference to the given statements, choose the correct alternative from the following :

(a) Both the statements are true. <<
(b) Both the statements are false.
(c) Statement I is true and Statement II is false.
(d) Statement I is false and Statement II is true.

Explanation:

Statement I is TRUE: control focuses on Key Result Areas (KRAs) critical to organisational success (principle of critical point control).

Statement II is TRUE: management by exception states that only significant deviations beyond permissible limits need to be brought to management's attention, not minor ones.

Q.20

Which of the following is NOT an organisational barrier to communication ?

(a) Status
(b) Organisational facilities
(c) Lack of proper incentives <<
(d) Rules and regulations

Explanation:

Lack of proper incentives is a PERSONAL barrier to communication (it discourages employees from communicating ideas).

Organisational barriers include: status (hierarchy), organisational facilities (inadequate meeting rooms, communication channels etc.), and rules and regulations (rigid procedures).

Status, Organisational facilities, and Rules and regulations are all organisational barriers.

Q.21

'Riya Mart' is a company manufacturing disposable crockery. They have been in business for the past five years, but were not earning good profits. Concerned about this, the Chief Executive Officer (CEO), Verma, ordered an internal audit. The audit uncovered several issues like inventory pilferage, employees coming late and their performance not upto the mark. To stop inventory pilferage, Verma, the CEO, introduced surprise stock checks and installed an automated inventory management system to track stock movements. A biometric attendance system was also setup to keep a check on employees coming late. In addition to this, to motivate employees for better performance, they were told in advance what they are expected to do and what are their standards of performance. As a result of these steps, the inventory pilferage reduced, employees became more punctual and their

performance improved.

(i) Identify and state the function of management performed by Verma, the Chief Executive Officer of the company.
(ii) State any two points of importance of the function identified in (i) above, which are not discussed in the above para.

Answer: (i) Controlling: Controlling is the process of measuring actual performance against planned performance, finding deviations and taking corrective action. Verma used surprise stock checks, biometric systems and pre-set performance standards to check, monitor and correct the working of the organisation. (ii) Two points of importance of Controlling (not mentioned in the para): (a) Controlling ensures efficient use of resources — it minimises wastage and ensures that resources are used purposefully and productively. (b) Controlling helps in improving employee motivation — though setting standards and informing employees in advance was mentioned, the aspect that controlling makes employees aware they will be evaluated, which motivates disciplined behaviour, is broader. Alternatively: Controlling facilitates coordination in action — it helps different departments work towards the same organisational goals. / Controlling helps in achieving organisational goals by bringing the actual performance in line with the desired performance.

Explanation:

This is a 3-mark question.
Part (i): identify = Controlling; state its meaning.
Part (ii): two importance points not discussed in the passage.
The passage discusses: setting standards, checking stock (surprise checks), attendance monitoring.
Points NOT discussed include: (a) Efficient use of resources, (b) Facilitates coordination, (c) Helps in achieving organisational goals, (d) Improves employee motivation (as a general benefit of the control system).

Q.22

'Soal Footwear Ltd.' is known for its high quality athletic shoes and casual sneakers. With increasing competition and changing consumer preferences, it decided to diversify its product range by adding clothing, bags and accessories under the same brand umbrella. This diversification aimed to capture a larger share of the market and increase customer loyalty.

(i) Suggest with reason which type of organisational structure will be suitable for 'Soal Footwear Ltd.' (1+2)
(ii) State any two advantages of the organisational structure suggested in (i) above.

Answer: (i) Divisional Structure would be suitable for 'Soal Footwear Ltd.' Reason: The company is diversifying into multiple product lines — shoes, clothing, bags and accessories. A divisional structure groups activities on the basis of products. Each product line (shoes division, clothing division, bags and accessories division) can function as a separate unit with its own resources and management, allowing specialisation and accountability per product. (ii) Two advantages of Divisional Structure: (a) Product specialisation — each division focuses on its own product line, developing specialised expertise which leads to better decision making and product development. (b) Accountability — since each division has its own profit/loss responsibility, it is easier to fix accountability and measure performance of each product division.

Explanation:
Divisional structure is appropriate when an organisation has multiple product lines.
Each product division has its own functional departments.
Advantages include: product specialisation, accountability, faster decision making, and development of divisional managers.

Q.23

(a) State any three measures to improve communication effectiveness.

Answer: Three measures to improve communication effectiveness: (1) Clarify ideas before communication — the sender should think through what needs to be communicated, organise thoughts clearly, and understand the purpose of the message before transmitting. (2) Communicate according to the needs of the receiver — the message should be framed keeping in mind the receiver's level of understanding, language, and background to ensure the message is understood correctly. (3) Follow up on communication — the sender should seek feedback to confirm whether the message has been correctly understood and acted upon by the receiver.

Explanation:

3-mark question.

Other valid measures: use proper language;

ensure consistency between verbal and non-verbal communication;

be a good listener;

avoid information overload;

select appropriate communication channel.

OR

Q.23

OR (b) State any three features of leadership.

Answer: Three features of leadership: (1) Leadership is a process of influence — a leader influences the behaviour, attitudes and beliefs of followers to work towards the achievement of organisational goals. (2) Leadership requires followers — leadership exists only when there are followers. Without followers there is no leader; it is a relational concept. (3) Leadership is a continuous process — a leader continuously guides, motivates and directs followers to achieve goals. It is not a one-time activity but an ongoing responsibility.

Explanation:

3-mark question.

Other valid features: leadership is goal-oriented;

leadership is situational (style depends on the situation);

leadership involves responsibility.

Q.24

(a) State any three functions of middle level management.

Answer: Three functions of middle level management: (1) Interpreting policies — middle level managers interpret and explain the policies framed by top management to lower level managers and workers so they understand what is expected. (2) Ensuring availability of resources — they are responsible for ensuring that their departments have the necessary manpower, materials and equipment required for execution of work. (3) Co-ordinating with other departments — middle level managers co-ordinate the activities of their department with other departments to ensure smooth and integrated functioning of the organisation.

Explanation:

3-mark question.

Other valid functions: recruiting and selecting lower level employees;

motivating and developing lower level managers;

evaluating performance of subordinates;

sending reports and data upwards to top management.

OR

Q.24

OR (b) State any three features of 'Demonetisation'.

Answer: Three features of Demonetisation: (1) Withdrawal of legal tender status — demonetisation involves the government withdrawing the legal tender status of specified currency notes, making them invalid for transactions after a stipulated date. (2) Aimed at curbing black money and corruption — a major objective of demonetisation is to bring unaccounted black money into the formal economy and reduce the circulation of illicit funds. (3) Promotes digital/cashless transactions — demonetisation encourages people to shift from cash-based transactions to digital payment methods such as online banking, mobile payments and card

transactions, thereby increasing financial inclusion.

Explanation:

3-mark question on Demonetisation (introduced in the NCERT Business Studies syllabus as part of the business environment chapter).

Nov 2016 demonetisation of Rs.500 and Rs.1000 notes is the reference event.

Q.25

'Sheetal Cosmetics Ltd.', is a fast growing beauty and skin care company known for its innovative products and aggressive market expansion. As the company increased its marketing activities like new product launches, accelerated advertising campaigns, social media promotions and influencer collaborations etc., the workload of the marketing department grew sharply. Despite working long hours, the marketing manager Arjun couldn't give adequate attention to strategic planning and high impact decisions as minor operational issues began consuming most of his time. Noticing this, the Chief Executive Officer (CEO) advised Arjun that it was now impractical for him to handle the entire volume of work alone, so he should allow his subordinates to take up routine tasks. This would not only help him manage his time better but also satisfy the subordinate's need for recognition. This will also provide opportunities to the subordinates to develop and exercise initiative.

(i) Identify the concept suggested by CEO that will help Arjun to manage volume of work effectively.

(ii) State any three points of importance of the concept identified in (i) above.

Answer: (i) Delegation of Authority — the CEO suggested that Arjun should delegate routine tasks to his subordinates so that he can focus on strategic and high-impact decisions. Delegation is the process of entrusting part of the work/authority to a subordinate. (ii) Three points of importance of Delegation: (1) Effective management — delegation frees the manager from routine tasks,

allowing him to focus on strategic and important decisions, thus improving managerial effectiveness. (2) Employee development — delegation gives subordinates the opportunity to handle responsible tasks, develop their skills, and exercise initiative, contributing to their professional growth. (3) Motivation and morale — when subordinates are given responsibility and authority, it satisfies their need for recognition and achievement, thereby increasing their motivation and morale.

Explanation:

4-mark question.

The concept is Delegation of Authority.

Importance points from NCERT also include: facilitating organisational growth (delegation allows expansion without adding managers), basis of management hierarchy, and better coordination.

Q.26

(a) State any four merits of internal source of recruitment.

Answer: Four merits of internal source of recruitment: (1) Economical — the cost of recruitment and selection is low as there is no need for extensive advertising, agency fees or lengthy selection processes. (2) Reliable — internal candidates are already known to the organisation; their performance, capabilities and limitations can be assessed accurately, reducing selection risk. (3) Motivational — internal recruitment motivates existing employees by providing opportunities for promotion and career advancement, improving morale and loyalty. (4) No induction/orientation required (or minimal) — internal candidates are already familiar with the organisation's culture, policies and procedures, reducing the time and cost of induction training.

Explanation:

4-mark question on HR/Staffing.

Other valid merits: better utilisation of internal talent;

promotes loyalty;

acts as a goodwill gesture;
reduces labour turnover.

OR

Q.26

OR (b) State any four benefits of training to the employees.

Answer: Four benefits of training to employees: (1) Improves skills and knowledge — training helps employees acquire new skills and update existing knowledge, making them more competent and confident in performing their jobs. (2) Enhances career prospects — trained employees are more likely to be considered for promotions, better assignments and higher responsibilities, improving their career growth. (3) Increases earning potential — with enhanced skills, employees become more productive and valuable, which can lead to higher wages, increments and performance bonuses. (4) Boosts confidence and morale — when employees are properly trained, they feel more secure in their roles, reduce errors and feel a sense of achievement, which raises their morale and job satisfaction.

Explanation:
4-mark question.
Other valid benefits: reduces accidents (safety training);
increases efficiency;
satisfies personal growth needs;
adapts to technological changes.

Q.27

(a) Explain the following points of importance of planning :
(i) Planning establishes standards for controlling
(ii) Planning reduces overlapping and wasteful activities

Answer: (i) Planning establishes standards for controlling: Planning involves setting clear objectives and targets in advance. These pre-set objectives serve as the standards against which actual performance is measured during the controlling process. Without planning, there would be no basis for evaluating

whether performance is satisfactory or not. Thus, planning makes controlling possible and meaningful. (ii) Planning reduces overlapping and wasteful activities: When work is planned in advance with clarity about who does what, when, and how, overlapping of activities is avoided. Activities are coordinated and sequenced properly, eliminating duplication of effort and ensuring that resources are not wasted on unproductive tasks. Plans bring order and purpose to activities.

Explanation:

4-mark question (2+2).

Each point must be explained with approximately 2 sentences or in about 50 words.

OR

Q.27

OR (b) Explain the following types of plans :

(i) Objective

(ii) Method

Answer: (i) Objective: Objectives are the end results that an organisation wishes to achieve. They are the basic purpose or mission of an organisation and provide a direction for all managerial decisions and actions. They are specific, measurable goals set for a defined time period. For example, a company may set an objective of achieving a 20% increase in sales in the current financial year. Objectives must be realistic and achievable. (ii) Method: A method is a prescribed way or manner in which a task is to be performed. It specifies each step to be performed in carrying out a given task and the order in which those steps are to be performed. Methods eliminate the need for individual decision-making for routine tasks. For example, a method for quality inspection specifies exactly the steps to be followed to check a finished product.

Explanation:

4-mark question (2+2).

Types of plans from NCERT include: Objectives, Strategy, Policy, Procedure, Method, Rule, Programme, Budget.

Q.28

Rajiv was on the board of directors of 'Tako Solutions', a software development company and 'Sabka Mart Retail', a large supermarket chain. He wanted to apply management principles in both the companies to improve efficiency and profitability.

He knew that management principles can be applied as much to 'Tako Solutions' as to 'Sabka Mart Retail' though the extent to which the principles can be applied will differ, because the nature of work, scale of operations and business activities in a software firm and a supermarket chain are not the same.

Rajiv also knew that the management principles would not provide readymade solutions because real world situations faced by the two companies were very complex and dynamic. Still, he believed that even small guidelines could help in solving many problems and will improve the way both companies worked.

Identify and explain the two points that highlight the nature of principles of management, in the above case.

Answer: (1) Universal applicability (but flexible in application): Management principles can be applied universally — to all types of organisations, all levels of management, and across different industries. Rajiv applied the principles to both a software company (Tako Solutions) and a retail supermarket (Sabka Mart Retail). However, the extent and manner of application differs based on the nature of the organisation, scale of operations, and business activities. They are not rigid laws but are flexible guidelines. (2) Management principles are guidelines, not absolute truths (General guidelines): Management principles do not provide ready-made solutions to specific real-world problems. They are general guidelines that help managers in making decisions and solving problems. As Rajiv knew, real-world

situations are complex and dynamic; the principles provide direction but must be adapted to specific circumstances. They help in solving problems and improving organisational working even when they cannot prescribe exact solutions.

Explanation:

4-mark question.

The two nature-of-principles highlighted: (1) Universal applicability (applicable everywhere but degree/extent varies) and (2) General guidelines (not rigid formulae, do not provide readymade answers).

These match the NCERT discussion of nature/characteristics of principles of management.

Q.29

'GW Industries', known for its paper products, decided to produce and launch a new line of sustainable packaging called 'EcoPac'.

As management is a complex activity, the Chief Executive Officer of the company translated the work into clear goals and assigned the means to achieve those. He knew that human resources are the greatest asset of an organization, so getting work done through them is also a major task. The production of high quality sustainable packaging also required a proper production process. This was put in place for managing the flow of input materials and technology to convert these materials into high quality sustainable packaging.

In this way 'GW industries' took care of various aspects for successful launch of 'EcoPac'.

A characteristic of management is discussed in the above case. Identify and explain the characteristic.

Answer: The characteristic of management discussed is: Management is a complex activity (Management is multidimensional).

Explanation: Management is a complex activity because it involves managing three major dimensions simultaneously:
(1) Management of work — all organisations exist to do some work (here: produce sustainable packaging 'EcoPac'). The CEO translated this work into clear goals and assigned means to achieve them.
(2) Management of people — human resources are the greatest asset of an organisation. Getting work done through people involves handling their individual needs, behaviour, and interpersonal relationships. The CEO recognised this.
(3) Management of operations — the production process involves managing the flow of input materials and technology to convert them into finished products (high quality sustainable packaging). This requires managing operations effectively.

Thus management is complex because it simultaneously manages work, people, and operations.

Explanation:
4-mark question.
The characteristic is 'Management is multidimensional' (sometimes stated as 'Management is a complex activity').
NCERT identifies three dimensions: management of work, management of people, management of operations.

Q.30

'Eco Care', a start-up, plans to launch a reusable water bottle for environmentally conscious millennials and Gen Z. For this, they conducted a market research to identify the needs of the customers so that an informed decision could be taken for successful marketing of the product. They wanted to work carefully on the design to make the bottle attractive to the target customers.

On the basis of consumer views and opinions, they developed a stylish

stainless steel bottle with double wall insulation to keep beverages cold for 24 hours, giving it a competitive advantage in the market.

They named the bottle 'Eco-Sip' creating a brand identity focused on sustainability and simplicity. It would also help in product differentiation.

The packaging was made using hundred percent recyclable cardboard, with details of sustainability, features, price etc. printed on it.

State the four functions of marketing that are carried out by 'Eco Care' in the above case.

Answer: Four functions of marketing carried out by 'Eco Care': (1) Gathering and analysing market information — Eco Care conducted market research to identify the needs of customers (environmentally conscious millennials and Gen Z) so that informed decisions could be taken for successful marketing. (2) Product designing and development — based on consumer views and opinions, Eco Care developed a stylish stainless steel bottle with double wall insulation (keeps beverages cold for 24 hours), making it attractive and giving it a competitive advantage. (3) Branding — Eco Care named the bottle 'Eco-Sip', creating a brand identity focused on sustainability and simplicity, which also helps in product differentiation. (4) Packaging and labelling — the packaging was made using 100% recyclable cardboard with details of sustainability, features, price etc. printed on it, serving both a protective and promotional function.

Explanation:

4-mark question.

Marketing functions from NCERT: gathering market information, market planning, product designing and development, standardisation and grading, packaging and labelling, branding, pricing, promotion, physical distribution, customer support.

The case clearly maps to: market information gathering, product development, branding, and packaging/labelling.

Q.31

'Koka Manufacturing Ltd.' is a large scale manufacturer in the electronics industry. In this industry assets are prone to obsolescence and their replacement becomes due faster with change in technology. The company is constantly under pressure to upgrade its machinery and equipment as it would help company to stay competitive, improve its product quality and reduce production costs. So instead of purchasing the machinery, company decides to lease the required machinery, giving it flexibility to upgrade equipment at the end of lease term. This helps company to maintain operational efficiency, technological competitiveness and financial flexibility.

Identify and explain four factors that would affect the fixed capital requirements of 'Koka Manufacturing Ltd.'.

Answer: Four factors affecting fixed capital requirements of 'Koka Manufacturing Ltd.':

(1) Nature of business: The nature of business significantly affects fixed capital needs. Koka Manufacturing Ltd. is a manufacturing company in the electronics industry that requires heavy machinery and equipment for production. Manufacturing companies require more fixed capital compared to trading or service companies because they need substantial physical infrastructure.

(2) Technology used: The type of technology used in production affects fixed capital requirements. In the electronics industry, technology changes rapidly, making assets prone to obsolescence. Companies using capital-intensive (automated/high-tech) processes need more fixed capital. The need to constantly upgrade machinery due to technological changes increases fixed capital requirements.

(3) Level of collaboration/lease vs. own (Diversification or Growth): The company's

decision to lease machinery rather than purchase it affects fixed capital requirements. Leasing reduces the immediate fixed capital needed as ownership cost is spread over the lease period, giving financial flexibility. This allows Koka to manage fixed capital more efficiently.

(4) Availability of alternative financing (Financing alternatives): The choice between purchasing and leasing affects fixed capital needs. Since leasing is available, Koka does not need to block large amounts of capital in assets, thus reducing its fixed capital requirements while maintaining operational and technological competitiveness.

Explanation:

6-mark question.

NCERT factors affecting fixed capital: nature of business, scale of operations, technique of production, growth prospects, diversification, technology used, financing alternatives, level of collaboration.

The case highlights: nature (manufacturing, electronics), technology (rapid obsolescence), and leasing as financing alternative.

Any four well-explained factors earn full marks.

Q.32

(a) Explain the following steps in the staffing process :

(i) Estimating manpower requirements

(ii) Selection

(iii) Placement and orientation

Answer: (i) Estimating manpower requirements: This is the first step in staffing where the organisation determines how many people it needs to hire and what skills they should possess. It involves analysing the current manpower inventory, assessing future needs based on organisational goals, and identifying the gap between available and required human resources. Both quantitative (number of employees) and qualitative (skills, knowledge) aspects are considered.

(ii) Selection: Selection is the process of choosing the most suitable candidate from the pool of applicants through a series of tests and interviews. It involves screening applications, written tests, interviews, medical examinations, and background checks. The goal is to select candidates who best match the job requirements. It is a negative process (rejecting unsuitable candidates) as opposed to recruitment which is positive (attracting candidates).

(iii) Placement and orientation: Placement refers to assigning the selected candidate to the most suitable job based on their qualifications and skills. The employee is assigned a specific position and given their duties. Orientation (also called induction) is the process of introducing the new employee to the organisation — its culture, policies, procedures, work environment, colleagues and superiors. It helps the new employee settle in quickly, reduces anxiety and builds confidence.

Explanation:

6-mark question (2+2+2).

Three steps of staffing process explained.

Each step should be explained in about 2-3 sentences for full marks.

OR

Q.32

OR (b) Explain the following non-financial incentives :

(i) Status

(ii) Organisational climate

(iii) Job security

Answer: (i) Status: Status refers to the rank, position or standing of a person in an organisation. It is a non-financial incentive because it satisfies psychological needs for recognition and respect. High status comes with privileges like a better office, a personal secretary, a company car, decision-making authority, and recognition. When employees are given a higher status or title, it motivates them to perform better and reinforces their sense of importance within the organisation.

(ii) Organisational climate: Organisational climate refers to the overall work environment, culture and atmosphere within an organisation — including relationships between superiors and subordinates, communication patterns, attitudes towards employees, and openness. A positive organisational climate where employees feel valued, respected and trusted acts as a powerful non-financial motivator. It influences employees' behaviour, their commitment to the organisation, and their willingness to put in extra effort.

(iii) Job security: Job security refers to the assurance or guarantee that an employee's position in the organisation is safe and that they will not be arbitrarily dismissed. It is a non-financial incentive that reduces anxiety and allows employees to focus fully on their work without fear of losing their job. Employees who feel secure in their jobs show higher loyalty, commitment and job satisfaction. It is particularly valued during economic uncertainty.

Explanation:

6-mark question (2+2+2).

Non-financial incentives from NCERT include: status, organisational climate, career advancement opportunity, job enrichment, employee recognition programmes, job security, employee participation, autonomy.

Q.33

Ria ran a small online bakery business. Her business was doing very well. She saved a good amount of money every month and now wanted to invest it wisely. She was in a dilemma to keep her savings in a bank account or to invest it in the stock market. Her friend Aabha, who had done a certification course from National Stock Exchange, encouraged her to invest in the stock market. She explained to Ria that if she invests in the stock market, she could disinvest and reinvest whenever she wanted, which would provide her good liquidity. Aabha also told her that the membership of stock exchange is well regulated and all trading takes place within the legal framework. As a

result, investors get a fair and safe deal.

Ria was still apprehensive as she had heard that there is lot of speculation in the stock market. She wanted to be cautious. Aabha clarified that speculation does exist, but it happens in a restricted and controlled way. She also told Ria that the stock exchange is keen to promote wider share ownership and does so by educating public about investments etc. As a result, young people have started investing in the stock market. After all this discussion, Ria felt confident and decided to invest a part of her savings in the stock market.

Quoting lines, identify and explain the four functions of stock exchange highlighted in the above case.

Answer: Four functions of stock exchange highlighted in the case:

(1) Providing liquidity and marketability to existing securities — Quote: 'if she invests in the stock market, she could disinvest and reinvest whenever she wanted, which would provide her good liquidity.' The stock exchange provides a ready market where investors can buy and sell securities at any time, ensuring liquidity. This means investors are not locked in and can convert their investments to cash whenever needed.

(2) Ensuring safe and fair dealings (Providing security to dealings) — Quote: 'the membership of stock exchange is well regulated and all trading takes place within the legal framework. As a result, investors get a fair and safe deal.' Stock exchanges regulate their members and ensure all transactions follow established rules and legal provisions, protecting investors from fraud and malpractice.

(3) Regulating/Controlling speculation — Quote: 'speculation does exist, but it happens in a restricted and controlled way.' The stock exchange allows some

degree of speculation (which provides liquidity and price discovery) but keeps it within regulated limits to prevent excessive speculation that could destabilise the market.

(4) Spreading of equity cult (Promoting investment) — Quote: 'the stock exchange is keen to promote wider share ownership and does so by educating public about investments etc. As a result, young people have started investing in the stock market.' The stock exchange promotes wider participation in equity ownership by educating the public about investment opportunities, thereby spreading the culture of equity investment.

Explanation:
6-mark question.
Must quote the relevant lines from the passage and then explain each function.
Four functions are clearly embedded in the text.
NCERT functions of stock exchange: continuous/ready market;
fair price determination;
mobilisation of savings;
safe and fair dealings;
contribution to economic growth;
spreading equity cult;
providing scope for speculation (controlled).

Q.34

(a) Explain the following elements of Marketing Mix :

(i) Product

(ii) Price

(iii) Promotion

Answer: (i) Product: Product refers to the goods or services offered by a business to satisfy the needs and wants of customers. It is the most important element of the marketing mix. Product decisions include product design, quality, features, branding, packaging, labelling, warranty and after-sales service. A good product

must offer value to the customer. Decisions about the product must align with customer needs and competitive requirements.

(ii) Price: Price is the amount of money that customers pay to purchase a product. It is the only element of the marketing mix that generates revenue for the firm (all other elements involve costs). Pricing decisions are influenced by factors such as cost of production, competition, demand, government regulations, pricing objectives and customer perception of value. Price must be set carefully — too high may reduce demand, too low may affect profitability.

(iii) Promotion: Promotion refers to the activities undertaken by a business to communicate information about its products/services to potential customers and persuade them to buy. The promotion mix includes advertising, personal selling, sales promotion, and public relations. The objectives of promotion are to inform, persuade and remind customers. Promotion helps create awareness, build brand image and ultimately drive sales.

Explanation:
6-mark question (2+2+2).
Marketing mix = 4 Ps: Product, Price, Place (physical distribution), Promotion.
Each element should be explained in about 2-3 sentences for full marks.

OR

Q.34

OR (b) Explain the following components of physical distribution :
(i) Order processing
(ii) Warehousing
(iii) Inventory control

Answer: (i) Order processing: Order processing refers to the activities involved in receiving, recording, filling and dispatching customer orders. It includes checking the order details, verifying stock availability, arranging for delivery and issuing invoices. Efficient order processing is critical to customer satisfaction — delays or

errors in processing orders lead to poor customer experience. Modern companies use computerised order management systems to speed up and improve accuracy of order processing.

(ii) Warehousing: Warehousing involves storing goods from the time of their production or procurement until they are sold or distributed to customers. It bridges the gap between production and consumption (time utility). Warehouses hold inventory, allowing companies to meet sudden spikes in demand and maintain a steady supply of goods. Decisions about warehousing include the number and location of warehouses, type of storage facilities (owned vs. rented), and warehouse management systems.

(iii) Inventory control: Inventory control refers to managing the level of stock maintained by a business to ensure that goods are available when needed while minimising the costs of holding excess stock. Too much inventory ties up capital and increases storage costs; too little leads to stockouts and lost sales. Techniques like Economic Order Quantity (EOQ), Just-in-Time (JIT) and ABC analysis are used to optimise inventory levels and ensure a smooth supply chain.

Explanation:

6-mark question (2+2+2).

Physical distribution (Place) components from NCERT: order processing, transportation, warehousing, inventory management/control.

Each component explained in 2-3 sentences.