CBSE Class 12 Business Studies 2026 — Set 2 — 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

Identify which of the following functions is Not performed by 'Top Level Management' : (A) Cooperating with other departments for smooth functioning of the organisation. (B) Being responsible for the welfare and survival of the organization. (C) Analyzing the business environment and its implications for the survival of the firm. (D) Formulating overall organizational goals and strategies for their achievement.

(a) Cooperating with other departments for smooth functioning of the organisation. <<

(b) Being responsible for the welfare and survival of the organization.

(c) Analyzing the business environment and its implications for the survival of the firm.

(d) Formulating overall organizational goals and strategies for their achievement.

Explanation:

Cooperating with other departments for smooth functioning is a function performed by Middle Level Management (departmental managers).

Top Level Management is responsible for setting overall goals, analyzing the environment, and ensuring welfare/survival of the organization.

Q.2

The question mark in the picture given below represents a financial incentive. Identify the incentive. (For Visually Impaired Candidates: Authority, responsibility, rewards, perquisites and prestige of job etc. indicate which of the following non-financial incentives given to a person holding a managerial position?)

(a) Pay and allowances

(b) Retirement benefits

(c) Productivity linked wage incentives

(d) Perquisites <<

Explanation:

The visual (picture-based question) depicts perquisites as a financial incentive.

For visually impaired candidates, authority, responsibility, rewards, perquisites and prestige of job indicate 'Status' — however the main question asks about the financial incentive shown in the picture.

Among the options, 'Perquisites' (like company car, accommodation, medical facilities etc.) is the financial incentive typically depicted.

Note: The visually impaired version re-frames this as a non-financial incentive (Status), but the main MCQ options list financial incentives;

'Perquisites' is the most contextually consistent answer for the picture-based version.

Q.3

The process by which a manager synchronizes the activities of different departments is known as :

(a) Management

(b) Planning

(c) Organising

(d) Co-ordination <<

Explanation:

Co-ordination is the process by which a manager synchronizes the activities of different departments to ensure unity of action.

It is the 'essence of management'.

Q.4

Match the non-financial incentives given in Column I with their meaning given in Column II: Column I — a. Employee participation, b. Organisational climate, c. Employee empowerment, d. Status; Column II — i. It indicates the characteristics which describe an organization and distinguish one organization from the other. ii. It means ranking of positions in the organisation. iii. It means giving more autonomy and powers to subordinates. iv. It means involving employees in decision making of the issues related to them. Choose the correct option:

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

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

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

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

Explanation:

Employee participation (a) →
iv (involving employees in decision making); Organisational climate (b) →
i (characteristics describing an organisation); Employee empowerment (c) →
iii (giving more autonomy/powers); Status (d) →
ii (ranking of positions).
So a-iv, b-i, c-iii, d-ii = Option (C).

Q.5

The process of estimating the fund requirements of a business and specifying the sources of funds is called _____.

(a) Trading on Equity

(b) Capital Budgeting decision

(c) Financial Management

(d) Financial Planning <<

Explanation:

Financial Planning is the process of estimating the fund requirements of a business and determining the sources from which these funds will be obtained.
It ensures adequate funds are available at the right time.

Q.6

'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.' The feature of business environment highlighted above is :

(a) Relativity

(b) Uncertainty

(c) Complexity <<

(d) Dynamic Nature

Explanation:

Complexity refers to the fact that business environment consists of numerous interrelated and dynamic conditions or forces arising from different sources, making it difficult to comprehend what exactly constitutes a given environment.
This is the defining feature of complexity.

Q.7

Statement-I : Workforce analysis enables an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organizational objectives. Statement-II : Workload analysis reveals the number and type of human resources available. Choose the correct option from the following :

(a) Statement-I is true and Statement-II is false. <<

(b) Statement-I is false and Statement-II is true.

(c) Both Statement-I and Statement-II are true.

(d) Both Statement-I and Statement-II are false.

Explanation:

Statement-I is TRUE: Workforce analysis assesses the number and types of human resources required.
Statement-II is FALSE: Workload analysis (not workforce analysis) determines the number and type of employees required to do the work;
workforce analysis reveals the human resources AVAILABLE in the organisation.

Q.8

NV Electronics has an innovative range of smartphones, T.V's, home entertainment systems, kitchen appliances and air conditioners. Besides supplying quality products, their focus is also on handling customer complaints speedily, providing maintenance services, procuring credit services etc. The function of marketing discussed above is :

(a) Branding
(b) Marketing Planning
(c) Product designing and development
(d) Customer support services <<

Explanation:
Customer support services refer to after-sales service activities like handling complaints, maintenance, repair, credit facilities etc.
NV Electronics is focusing on these post-sale activities alongside product supply.

Q.9

Identify the incorrect statement with respect to 'Motion Study', as a technique of scientific management :

(a) Unnecessary movements are sought to be eliminated so that it takes less time to complete the job efficiently.
(b) It refers to the study of movements like lifting, putting objects, sitting and changing positions etc., which are undertaken while doing a typical job.
(c) Through this technique, Taylor was able to design suitable equipment and tools to educate workers on their use.
(d) This technique helps to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs. <<

Explanation:
Option (D) describes 'Time Study', not Motion Study.
Time Study helps determine the number of workers, frame incentive schemes, and determine labour costs.
Motion Study involves studying and eliminating unnecessary body movements to improve efficiency.
Option (C) describes 'Fatigue Study', but it is closer to Motion Study's application.
Option (D) is clearly the incorrect statement about Motion Study.

Q.10

In the 'Primary Market' prices of securities are determined by :

(a) Management of the company <<
(b) Demand and supply of the security
(c) Employees of the company
(d) Only demand for the security

Explanation:

In the Primary Market (new issue market), the price of securities is determined by the management of the company (issuer), often in consultation with underwriters or merchant bankers.

Unlike the Secondary Market (stock exchange) where prices are determined by demand and supply.

Q.11

Ramesh wanted to buy a room heater as it had become extremely cold. He went to the nearby market in search of a good room heater. He first visited a few big shops selling branded heaters and checked the design, quality and the price. Walking through the market he saw a road side shop displaying an attractive room heater. He walked into the shop to enquire about the room heater. The shopkeeper demonstrated how the heater worked and simultaneously explained its qualities like its rotating function, auto-cut etc. Ramesh asked about its price and decided to buy it, as in comparison to other room heaters, it was cheaper and had various additional features. However while focusing on the price and features, he did not check the ISI mark or the label which displayed the date of manufacturing, safety features, directions for use etc. The right exercised by Ramesh in the above case is :

(a) Right to choose/be assured <<
(b) Right to be heard
(c) Right to consumer education
(d) Right to safety

Explanation:

Ramesh exercised the Right to Choose/be assured by comparing products from different shops and selecting based on price and features.

He did NOT exercise the Right to Safety (he ignored the ISI mark and safety features on the label), making that right irrelevant to what he actively exercised.

Q.12

Statement – I : Capital market instruments are safer than money market instruments both with respect to returns and principal repayment. Statement – II : The capital market deals in medium and long-term securities such as equity shares and debentures etc. Choose the correct option from the following :

(a) Statement I is true and Statement II is false.

(b) Statement I is false and Statement II is true. <<

(c) Both Statement I and Statement II are true.

(d) Both Statement I and Statement II are false.

Explanation:

Statement I is FALSE: Money market instruments (like Treasury Bills, Commercial Paper) are safer than capital market instruments because money market instruments have lower risk and are more liquid.

Capital market instruments (equity, debentures) carry higher risk.

Statement II is TRUE: The capital market deals in medium and long-term securities such as equity shares and debentures.

Q.13

There are two statements, Assertion (A) and Reason (R). Assertion (A) : Controlling should not be misunderstood as the last function of management. Reason (R) : Controlling is a function that brings the management cycle back to the planning function. Choose the correct alternative from those given below :

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

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

(c) Assertion (A) is true and Reason (R) is false.

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

Explanation:

Assertion (A) is TRUE: Controlling is not just the last function;
it is an ongoing process throughout management.
Reason (R) is also TRUE and correctly explains Assertion (A): Controlling brings the management cycle back to planning by identifying deviations and suggesting corrective actions, making it a continuous rather than terminal function.

Q.14

'Lima' is a global sportswear brand known for shoes, apparel and sports accessories. Customers can recognize Lima's shoes, t-shirts and bags just by seeing the tiger symbol imprinted on all Lima's products. Lima has legally registered both its name 'Lima' and its tiger symbol so that no other company can legally use the same or similar design in their sportswear. The tiger symbol is Lima's :

(a) Brand name

(b) Brand mark

(c) Trade mark

(d) Both Brand mark and Trade mark <<

Explanation:

The tiger symbol is a Brand mark (a visual design/symbol that identifies the brand).
Since Lima has also legally registered this symbol, it becomes a Trade mark (legally protected brand mark).
Therefore the tiger symbol is BOTH a Brand mark AND a Trade mark.

Q.15

There are two statements, Assertion (A) and Reason (R). Assertion (A) : The dividend in growth companies is more than that in the non-growth companies. Reason (R) : Companies having good growth opportunities

retain more money out of their earnings so as to finance the required investment. Choose the correct alternative from those given below :

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

Explanation:

Assertion (A) is FALSE: Growth companies retain more earnings for reinvestment, so they typically pay LESS dividend (not more) than non-growth companies.

Reason (R) is TRUE: Companies with good growth opportunities do retain more money to finance required investments.

R correctly explains why A is false — retaining more leads to lower dividends.

Q.16

Alka Motors is one of the leading automobile companies in India. Due to growing demand for electric vehicles, Alka Motors planned to expand its business and for this, it wanted to raise funds. The finance manager suggested that it should raise funds through equity as the market was bullish. As per the suggestion of finance manager, the company decided to raise Rs. 3,500 crore from equity for its expansion plan for electric vehicles. The factor that the finance manager took into consideration to raise funds through equity was :

(a) Cash flow position
(b) Flexibility
(c) Cost of debt
(d) Stock-market conditions <<

Explanation:

The finance manager suggested raising funds through equity because 'the market was bullish' — this directly refers to Stock-market conditions.

When the market is bullish (rising), it is favorable to raise funds through equity as

investors are willing to invest.

Q.17

Green-Eats is a start-up offering plant based meal kits. It gained popularity as more young consumers were becoming health conscious and awareness about environmental issues was increasing day-by-day. To promote sustainable eating, they collaborated with schools and colleges and organized workshops for them. Identify the element of business environment highlighted in the above case :

(a) Economic Environment
(b) Social Environment <<
(c) Political Environment
(d) Technological Environment

Explanation:

The case highlights changing social values — increasing health consciousness among young consumers, growing awareness about environmental issues, and promotion of sustainable eating.

These are all social trends/changes, making this an example of Social Environment.

Q.18

Neha is working as a Manager at 'NutriBite', a company that makes protein rich snacks which are high in demand. She is responsible for implementing organisation's marketing plans, and ensuring that her department has necessary personnel to achieve goals as per company's policy. Identify the 'level' of management at which Neha is working :

(a) Top level
(b) Middle level <<
(c) Operational level
(d) Both Middle level and Operational level

Explanation:

Neha implements the organisation's marketing plans and ensures her department has necessary personnel — these are functions of Middle Level Management.

Middle-level managers implement plans and policies made by top management and coordinate with the operational level.

Q.19

'Taylor believed that industrial efficiency depends to a large extent on personnel competencies. He was of the view that the concern for efficiency could be built in right from the process of employee selection. Each person should be scientifically selected. The work assigned should suit her/his capabilities. To increase efficiency, they should be given the required training.' The principle of scientific management discussed above is :

(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 passage discusses scientific selection of employees, assigning work matching their capabilities, and providing training — all related to the principle of 'Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity'.

This principle emphasizes selecting and training each worker to their fullest potential.

Q.20

'Stock Exchange is playing a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.' The above lines highlight which function of stock exchange from the following ?

(a) Providing Scope for Speculation
(b) Spreading of Equity Cult <<

(c) Safety of Transactions

(d) Contributes to Economic Growth

Explanation:

Spreading of Equity Cult refers to the stock exchange's role in ensuring wider share ownership by educating the public about investments and encouraging more people to invest in equities.

The passage explicitly mentions 'wider share ownership' and 'educating the public about investments'.

Q.21

(a) State any three features of Co-ordination.

Answer: Three features of Co-ordination: (1) Co-ordination integrates group efforts — it unifies the efforts of all individuals and departments towards common goals. (2) Co-ordination ensures unity of action — it synchronizes different activities to produce a unified result. (3) Co-ordination is a continuous process — it is required at all levels and in all functions of management throughout the organisation's existence.

Explanation:

Co-ordination is the 'essence of management'.

Key features include: integrating group efforts, ensuring unity of action, being a continuous process, being the responsibility of every manager, and being a pervasive function.

OR

Q.21

(b) State any three points of significance of Principles of Management.

Answer: Three points of significance of Principles of Management: (1) Providing managers with useful insights into reality — they help managers improve their knowledge, ability and understanding of managerial situations. (2) Optimum utilisation of resources and effective administration — they help in efficient use of human and material resources, reducing wastage. (3) Meeting changing

environment requirements — they are dynamic guidelines that help managers respond to changing business environments effectively.

Explanation:

Principles of Management are significant as they: provide insights, help optimise resources, meet changing needs, assist in scientific decisions, fulfil social responsibilities, and aid management research and education.

Q.22

(a) Explain 'Transfers' and 'Promotions' as internal sources of recruitment.

Answer: Transfers: Transfer involves shifting of an employee from one job to another, one department to another, or one location to another, without a change in the responsibilities or remuneration. It helps fill vacancies by moving existing employees and provides them with wider experience. Promotions: Promotion refers to shifting an employee to a higher position with greater responsibilities, enhanced status, and usually higher pay. It motivates employees and fills higher-level vacancies from within the organisation, reducing the cost and time of recruitment.

Explanation:

Both transfers and promotions are internal sources of recruitment — they fill vacancies using existing employees.

Transfers provide flexibility without status change;

promotions provide upward movement with better pay and responsibilities.

OR

Q.22

(b) Explain 'Placement and Orientation' and 'Performance Appraisal' as steps in the process of 'Staffing' function of management.

Answer: Placement and Orientation: Placement refers to assigning the selected candidate to a specific job. Orientation (induction) involves introducing the new employee to the organisation — its culture, colleagues, rules, policies, and the work environment. It helps the new employee adjust and feel comfortable in the

new setting. Performance Appraisal: Performance appraisal involves evaluating the actual performance of employees against established standards. It helps identify training needs, decide promotions/transfers, and provide feedback to employees for improvement. It is an ongoing process that ensures accountability.

Explanation:

These are sequential steps in the staffing process.

Placement and Orientation follow selection;

Performance Appraisal is a later step that provides feedback and supports subsequent staffing decisions.

Q.23

Identify and explain the external source of recruitment discussed in each of the following cases: (i) Veer Infrastructure Pvt. Ltd. was handling the construction of a government hospital building in Unedabad. During the monsoon season, the project was delayed and there was a sudden rush of work to meet the deadline. The site supervisor placed a notice at the entrance of the construction site stating 'Daily wage labourers needed for 15 days. Report with Identity Proof on Monday at 9:00 A.M. Preference for workers with experience in masonry or carrying materials'. (ii) Vista Bank planned to expand its retail banking operations in Tier-2 and Tier-3 cities. They needed to hire over 200 middle-level managers with experience in sales, customer service and operations. Vista Bank approached 'Avon Consultants', one of India's leading management consultancy firms. 'Avon Consultants' advertised positions on job portals under their own name and also accessed its database of experienced professionals across India. After extensive screening, they shortlisted and forwarded qualified candidates to Vista Bank.

Answer: (i) Casual / Badli workers (Labour Contractors): The site supervisor placed a notice for daily wage labourers for 15 days. This is the method of recruiting Casual or Badli workers — labourers hired on a day-to-day or short-term

contractual basis through direct notice or labour contractors to meet temporary/urgent needs. (ii) Placement Agencies / Management Consultants: Vista Bank engaged 'Avon Consultants', a management consultancy firm, which advertised positions and screened candidates from its database. This is recruitment through Placement Agencies/Management Consultants — external agencies that maintain a database of candidates and forward suitable profiles to organisations for a fee.

Explanation:

Case (i) depicts casual/badli workers or direct recruitment through a notice — used for unskilled/semi-skilled temporary work.

Case (ii) depicts use of management consultancy firms/placement agencies — used for skilled/managerial positions.

Q.24

Riya, a software engineer wanted to invest a part of her savings in the stock-market. Encouraged by some online discussions, she came across a company 'Smart-Tech Ltd.', whose stock price was rising very fast. News began to circulate that company had got a large government contract and she believed that its share price would double soon. Convinced by the positive claims, Riya also invested in the shares of this company. Over the next week, the shares continued to rise but suddenly, the price started crashing. Within days, her investment had lost more than 60% of its value. Riya started researching and discovered that the news about the government contract was false. Securities and Exchange Board of India (SEBI) also took immediate notice of the situation and called for detailed trading information and conducted enquiries and inspections. After examining trading information and conducting enquiries, SEBI found that a group of traders had spread false information to artificially boost the stock price. By taking action against the group of traders, SEBI made it clear that fraudulent and unfair trade practices are strictly prohibited. (i) Quote lines from the above to identify the two functions being performed by SEBI. (ii)

Also state one more function of each category of the functions identified in (i) above.

Answer: (i) Two functions of SEBI identified from the case: Function 1 — Regulatory function: 'SEBI also took immediate notice of the situation and called for detailed trading information and conducted enquiries and inspections.' SEBI conducted enquiries and inspections — this is a Regulatory function. Function 2 — Protective function: 'By taking action against the group of traders, SEBI made it clear that fraudulent and unfair trade practices are strictly prohibited.' SEBI prohibited fraudulent/unfair trade practices — this is a Protective function. (ii) One more function of each: Regulatory function (additional): SEBI registers and regulates the working of stock brokers, sub-brokers, share transfer agents, merchant bankers etc. Protective function (additional): SEBI checks price rigging and prohibits insider trading to protect investors.

Explanation:

SEBI performs three categories of functions: Protective (protecting investor interests), Regulatory (regulating market participants and practices), and Developmental (promoting the securities market).

The case illustrates both protective and regulatory functions.

Q.25

Meera purchased a mixer-grinder of a reputed brand from a well-known electronic store for Rs. 5,000. Within ten days, the mixer-grinder stopped working. Meera visited the shop for repair or replacement showing the cash memo and the warranty card but the shopkeeper refused to help her. Though the product was only for Rs. 5,000, she filed a complaint at the District Consumer Disputes Redressal Forum. The Forum ordered the store to replace the product within 30 days. They also added Rs. 1,000 as compensation for mental harassment and Rs. 800 for legal costs. State two responsibilities fulfilled by Meera and two reliefs which Meera got through Consumer Redressal Forum.

Answer: Two responsibilities fulfilled by Meera: (1) Responsibility to be quality conscious — Meera purchased a product from a reputed brand and a well-known store, showing she was conscious about quality. (2) Responsibility to file a complaint — Meera filed a complaint at the District Consumer Disputes Redressal Forum against the shopkeeper's refusal to help, fulfilling her responsibility to assert her rights and help others in similar situations. Two reliefs Meera got: (1) Replacement of the product — The Forum ordered the store to replace the mixer-grinder within 30 days. (2) Compensation for mental harassment and legal costs — Meera received Rs. 1,000 as compensation for mental harassment and Rs. 800 for legal costs.

Explanation:

Consumer responsibilities include: being quality conscious, filing complaints, maintaining proof of purchase.

Reliefs available under COPRA include: removal of defect, replacement, refund, compensation for injury/loss, and costs of litigation.

Q.26

(a) State any four limitations of internal sources of recruitment.

Answer: Four limitations of internal sources of recruitment: (1) Limited talent pool — The organisation can only choose from existing employees; it cannot access fresh talent or new ideas from outside, leading to stagnation. (2) Discourages competition and innovation — Since promotions are internal, there is no competitive pressure, which may reduce motivation and creativity among employees. (3) Conflict among employees — Internal promotions may cause jealousy, rivalry, and conflict among those who were not selected. (4) Inadequacy for new positions — When an organisation needs people with entirely new skills or expertise (e.g., for a new technology), internal sources may not be able to fill the requirement.

Explanation:

Internal sources like transfers and promotions have limitations: they limit the talent pool, may cause internal conflict, discourage innovation, may not meet needs for new expertise, and can result in inbreeding.

Four of these should be stated.

OR

Q.26

(b) State any four benefits of staffing to the organization.

Answer: Four benefits of staffing to the organization: (1) Helps find and place competent employees — Staffing ensures that the right person is placed in the right job at the right time, maximising productivity. (2) Improves performance — Proper training and development through staffing enhances employee competence and organisational performance. (3) Ensures continuity of management — By identifying and grooming future managers, staffing ensures smooth succession and management continuity. (4) Creates a satisfied workforce — By matching people to jobs suitably and providing growth opportunities, staffing improves job satisfaction, reducing turnover.

Explanation:

Staffing benefits include: finding competent employees, performance improvement, management continuity, satisfied workforce, optimum utilisation of human resources, and improving organisational efficiency.

Q.27

Fresh Foods Pvt. Ltd. manufactures and distributes organic packaged food products. It's operations are divided into five main departments – Production, Marketing, Finance, Human Resources and Research and Development. Each department has its own head and a team that focuses only on the work related to their department. This promotes efficiency in utilization of manpower as employees perform similar tasks within a department and are able to improve performance. This also helps in increasing managerial and

operational efficiency and results in increased profit. Since each department handles a narrow range of tasks and focus is on a limited range of skills, it is easier to train new employees. (i) Identify the organization structure followed by Fresh Foods Pvt. Ltd. (ii) Also state three advantages of the structure identified in (i) above not discussed in the given case.

Answer: (i) Functional Organisation Structure: Fresh Foods Pvt. Ltd. follows a Functional Organisation Structure. The company is divided into departments based on functions — Production, Marketing, Finance, HR, and R&D — each with its own head. (ii) Three advantages not discussed in the case: (1) Specialisation — Each department focuses on a specific function, leading to specialisation and expert decision-making in each area. (2) Better control and supervision — Functional managers can exercise better control since they are specialists in their own area. (3) Promotes coordination within a department — It is easier to coordinate activities within a department as all members work on the same type of tasks.

Explanation:

Functional organisation groups activities by function.

Advantages include specialisation, efficiency, better managerial control, coordination within departments, and economic use of resources.

The case already mentions efficiency, performance improvement, and easier training — so other advantages should be stated.

Q.28

Aditya owned a skincare company named 'Nat-Ayur'. In July, 2025, he decided to launch a new herbal face cream in the market using traditional herbs like turmeric, sandalwood, neem, aloe vera, saffron etc. The total cost of producing, packaging, distributing and selling the cream came to Rs. 60 per tube. 'Nat-Ayur' decided that this would be the minimum price to cover the cost. They wanted to earn a fair margin of profit too. For this 'Nat-Ayur' conducted a survey and found that the expected demand would be high. Customers were ready to pay more for herbal and chemical free products.

They also found that many face creams with similar features are available in the market priced between Rs. 80 to Rs. 120. To compete effectively, 'Nat-Ayur' decided to price the cream at Rs. 99 to attract the customers while offering better benefits. To add value to the product 'Nat-Ayur' invested in eco-friendly packaging, free home delivery and on-line advertisements. This uniqueness gives 'Nat-Ayur' a competitive freedom in fixing price of its cream. Identify and explain any two factors that were taken into consideration by 'Nat-Ayur' for determining the price of their herbal face cream.

Answer: Two factors considered by Nat-Ayur in determining price: (1) Cost of the product: 'The total cost of producing, packaging, distributing and selling the cream came to Rs. 60 per tube. Nat-Ayur decided that this would be the minimum price to cover the cost.' Cost sets the floor/minimum price. The price must at least cover all costs (production, packaging, distribution, selling) to avoid losses. A fair margin of profit above cost must also be factored in. (2) Competition (Pricing in relation to competition): 'Many face creams with similar features are available in the market priced between Rs. 80 to Rs. 120. To compete effectively, Nat-Ayur decided to price the cream at Rs. 99.' The prices of competing products influence pricing decisions. Nat-Ayur priced competitively at Rs. 99 (within the competitor range) to attract customers while remaining competitive.

Explanation:

Additional factors visible in the case: Utility and demand (customers were ready to pay more for herbal products), and Product differentiation (eco-friendly packaging, free delivery giving competitive freedom).

Any two well-explained factors with quotes from the case are acceptable.

Q.29

(a) Explain the following limitations of planning: (i) Planning leads to rigidity (ii) Planning may not work in a dynamic environment

Answer: (i) Planning leads to rigidity: Once a plan is drawn up, managers may feel

bound to follow it even if changing circumstances demand a different approach. This inflexibility can prevent managers from taking initiative or responding quickly to new situations. Plans drawn up for the future may become irrelevant but managers continue to follow them, leading to inefficiency. (ii) Planning may not work in a dynamic environment: Planning is done on the basis of certain assumptions about the future. However, in a rapidly changing environment, these assumptions may not hold true. Technological changes, shifts in consumer preferences, natural disasters, or economic fluctuations may render even the best-made plans ineffective or obsolete.

Explanation:

These are two key limitations of planning.

Planning also has other limitations: it involves huge cost, is time-consuming, does not guarantee success, and reduces creativity.

Each limitation should be explained clearly.

OR

Q.29

(b) Explain the following points of importance of Decentralisation: (i) Develops initiative among subordinates (ii) Develops managerial talent for the future.

Answer: (i) Develops initiative among subordinates: Decentralisation gives subordinates the freedom and authority to take decisions in their areas. When they are allowed to take decisions independently, they develop confidence, creativity, and a sense of responsibility. This encourages them to think for themselves and develop initiative — preparing them for larger roles. (ii) Develops managerial talent for the future: Decentralisation acts as a training ground for developing future managers. By handling decision-making at lower levels, junior managers get practical experience of leadership and management. They develop problem-solving skills and managerial competence, creating a pipeline of capable managers for the future.

Explanation:

Decentralisation is important for: developing initiative, grooming future managers, quick decision-making, better motivation, maintaining control, and relieving top management burden.

Q.30

'Priya Motors', a motorbike manufacturing company, launched a new model of bike in the market named 'Moto Glide III'. The company planned carefully to make this bike appeal to young riders. The design team focused on making the bike attractive and stylish to the target customers, primarily the youth. They gave it a sleek body, sharp headlights and a digital speedometer. The design made the bike not just look good but also improved its aerodynamics and fuel efficiency. This helped the company stand out from other brands, thereby getting a competitive edge. The company followed strict quality standards in making each part of the bike which helped in achieving uniformity and consistency in output. 'Priya Motors' also offered different versions of bike with different prices based on features like Bluetooth connectivity, colour options etc. Identify and explain two functions of marketing discussed above.

Answer: Two functions of marketing discussed in the case: (1) Product designing and development: 'The design team focused on making the bike attractive and stylish... They gave it a sleek body, sharp headlights and a digital speedometer. The design made the bike not just look good but also improved its aerodynamics and fuel efficiency.' Product designing involves creating a product that is aesthetically appealing, functionally efficient, and meets customer needs. Good design gives a competitive edge in the market. (2) Product pricing: 'Priya Motors also offered different versions of bike with different prices based on features like Bluetooth connectivity, colour options etc.' Pricing is the function of marketing that involves setting the price of the product. Priya Motors used differential pricing — offering different versions at different prices based on features — to target various customer segments.

Explanation:

The case also hints at branding (making the bike appeal to a specific target — youth). However, the two most clearly illustrated functions are product design/development and pricing.

Standardisation and quality control is also evident.

Q.31

(a) Explain 'Science, not Rule of Thumb' as a principle of Scientific Management and 'Functional Foremanship' and 'Time study' as techniques of Scientific Management.

Answer: Principle — Science, not Rule of Thumb: Taylor advocated replacing the 'Rule of Thumb' (approximation based on personal judgment/experience) with scientific methods. Each task should be planned scientifically — the most efficient way to perform a job should be determined through observation, analysis, and experimentation, not guesswork. Taylor believed that there is always one 'best method' to do a task and it should be discovered scientifically and applied uniformly. Technique — Functional Foremanship: Taylor proposed replacing the single foreman system with eight specialised foremen, each responsible for a specific function. Four foremen deal with planning (Route Clerk, Instruction Card Clerk, Time and Cost Clerk, Disciplinarian) and four deal with execution (Gang Boss, Speed Boss, Repair Boss, Inspector). Each worker receives instructions from multiple specialised experts, ensuring high quality and efficiency. Technique — Time Study: Time Study determines the standard time required to complete a particular task or job. A trained observer uses a stopwatch to record the time taken for each element of a job on multiple observations to find the average. This standard time is used to fix the number of workers needed, frame incentive wage plans, and determine labour costs.

Explanation:

Taylor's principles include: Science not Rule of Thumb, Harmony not Discord, Cooperation not Individualism, Maximum output, Development of every person.

His techniques include: Functional Foremanship, Standardisation, Method Study,

Motion Study, Time Study, Differential Piece Wage System, Mental Revolution.

OR

Q.31

(b) Explain the following principles of General Management: (i) Unity of Command (ii) Esprit De Corps (iii) Stability of Personnel

Answer: (i) Unity of Command: According to this principle, each employee should receive orders/instructions from only ONE superior. If an employee receives orders from more than one superior, it leads to confusion, conflict, and a breakdown of authority. Unity of Command ensures clear accountability and avoids conflicting instructions, thereby maintaining discipline and efficiency. (ii) Esprit De Corps: This principle emphasises the importance of team spirit and harmony among employees. Fayol believed that management should promote a team spirit and a sense of unity and togetherness in the organisation. 'Union is strength' — management should encourage mutual trust and cooperation and avoid divide-and-rule policies. (iii) Stability of Personnel: Fayol emphasised the need for stability/tenure of employees in their jobs. Frequent transfer or dismissal of employees leads to high turnover, inefficiency, and cost of recruitment/training. Management should ensure job security and avoid unnecessary transfers. An employee needs time to learn and contribute effectively; stability allows this.

Explanation:

Fayol's 14 principles include: Division of Work, Authority and Responsibility, Discipline, Unity of Command, Unity of Direction, Subordination of Individual Interest, Remuneration, Centralisation, Scalar Chain, Order, Equity, Stability of Personnel, Initiative, and Esprit De Corps.

Q.32

'Freshju' is a trading company, selling bottled juices made by other manufacturers. Now, it planned to sell its juices across India. For this, 'Freshju' decided to enter into 'Juice manufacturing'. It also has ambitious plans to export its juices to other countries in the future. To meet anticipated

higher demand in future, the company set-up a larger manufacturing unit. The Chief Executive Officer, Ravinder, ordered automatic juice-filling and bottling machines to increase speed, improve hygiene and for consistency in production. Since the investment was huge, instead of buying all new machinery 'Freshju' took some expensive machines on lease. They also collaborated with a nearby packaging unit to use their packing machines during peak-season. This helped 'Freshju' to manage seasonal surges in demand without investing in additional equipment that would remain underutilized during off season. Quoting lines from the above, identify and explain any four factors that will affect the fixed capital requirements of 'Freshju'.

Answer: Four factors affecting fixed capital requirements of Freshju: (1) Nature of Business: 'Freshju decided to enter into Juice manufacturing.' A manufacturing company requires heavy investment in plant, machinery, and equipment compared to a trading company. The shift from trading to manufacturing increases fixed capital needs significantly. (2) Scale of Operations (Growth prospects/Expansion plans): 'To meet anticipated higher demand in future, the company set-up a larger manufacturing unit.' The larger the scale of operations and growth ambitions, the greater the fixed capital requirement to set up infrastructure, plant, and equipment. (3) Technology used: 'Ravinder ordered automatic juice-filling and bottling machines to increase speed, improve hygiene and for consistency in production.' Capital-intensive technology (automated machines) requires higher fixed capital investment compared to labour-intensive methods. (4) Leasing/Alternative arrangements: 'Freshju took some expensive machines on lease... collaborated with a nearby packaging unit to use their packing machines during peak-season.' If a company leases assets instead of buying them, or collaborates with others for equipment use, fixed capital requirements are reduced, as capital is not locked in owned assets.

Explanation:

Factors affecting fixed capital: nature of business, scale of operations, growth prospects, technology, diversification, financing alternatives (leasing/collaboration), and government policy.

The case explicitly mentions all four factors identified above.

Q.33

Greener Organic is a company producing eco-friendly fertilizers and soil boosters. With the growing interest in organic farming, the company is planning to expand its operations across India. Greener sets its target to increase its sales by 25% in the next year. This gave all departments – sales, production, marketing and logistics – a common target to work. To achieve this, Greener made a comprehensive plan to enter Tier-2 and Tier-3 cities by working with local farmer groups. They also plan to promote their brand through on-line campaigns focused on eco-friendly farming. The company also laid down broad parameters within which the managers could function. All raw materials used had to be certified organic and preferably sourced from local farmers. This would improve quality, support local people and build trust with customers. The company allocated Rs. 50 lakhs for marketing, which included funds for regional newspaper advertisements, digital marketing, promotional events and dealer incentives. By quantifying future facts and figures, the company planned to control costs and evaluate performance. Identify and explain any four type of plans discussed in the above case.

Answer: Four types of plans discussed in the case: (1) Objectives: 'Greener sets its target to increase its sales by 25% in the next year. This gave all departments – sales, production, marketing and logistics – a common target to work.' Objectives are the ends or specific results that an organisation seeks to achieve. They serve as a guide for all managerial decisions and provide a common target for all departments. (2) Strategy: 'Greener made a comprehensive plan to enter Tier-2 and Tier-3 cities by working with local farmer groups. They also plan to promote

their brand through on-line campaigns focused on eco-friendly farming.' Strategy is a comprehensive plan for achieving objectives. It involves deciding the market to enter, channels to use, and promotional methods to deploy. (3) Policy: 'The company also laid down broad parameters within which the managers could function. All raw materials used had to be certified organic and preferably sourced from local farmers.' Policies are general statements that guide thinking and channel decision-making within the organisation. They set the boundaries within which managers can act. (4) Budget: 'The company allocated Rs. 50 lakhs for marketing, which included funds for regional newspaper advertisements, digital marketing, promotional events and dealer incentives. By quantifying future facts and figures, the company planned to control costs and evaluate performance.' A budget is a plan expressed in numerical/financial terms. It quantifies future activities and helps in controlling costs and evaluating performance.

Explanation:

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

This case illustrates at least four of these clearly.

Q.34

(a) Explain any four semantic barriers to communication.

Answer: Four semantic barriers to communication: (1) Badly expressed message: A message may be poorly worded, with wrong word choices, inadequate vocabulary, or unclear sentence structure. The receiver may misunderstand the intent of the message due to vague or ambiguous language. (2) Symbols with different meanings: The same word or symbol may have multiple meanings and the sender and receiver may interpret it differently. For example, the word 'board' can mean a plank of wood, a committee, or to get on a vehicle. Choosing the wrong meaning creates a barrier. (3) Faulty translations: When a message is translated from one language to another, it may lose its original meaning or nuance. Poor translation can distort the original intent and create

misunderstanding. (4) Technical jargon: Specialists often use technical terms and jargon specific to their field. When communicating with people outside their field, these terms may be unfamiliar and cause confusion, making the message difficult to understand.

Explanation:

Semantic barriers arise from language and meaning issues.

They include: badly expressed messages, symbols with different meanings, faulty translations, technical jargon, unclarified assumptions, and body language/gesture differences.

OR

Q.34

(b) Explain any four points of importance of directing function of management.

Answer: Four points of importance of directing: (1) Initiates action: Directing is the function that sets the organisation in motion. While planning, organising, and staffing create the framework, directing actually initiates the work by guiding employees to execute plans. Without direction, no action takes place. (2) Integrates employees' efforts: Directing integrates and coordinates the efforts of all employees towards organisational goals. It ensures that individuals working in various departments contribute in a unified manner to achieve common objectives. (3) Means of motivation: Through effective direction, managers motivate employees to give their best performance. Leadership and communication under directing inspire employees to work with enthusiasm, reducing resistance and absenteeism. (4) Facilitates change: Organisations must adapt to changing environments. Directing helps managers communicate changes, overcome resistance to change, and lead employees smoothly through transitions, making the organisation more adaptive and dynamic.

Explanation:

Directing is important for: initiating action, integrating efforts, means of motivation,

facilitating change, providing stability and balance, and maintaining discipline. It is the heart of the management process.