CBSE EXAMINATION PAPER-2025

BUSINESS STUDIES

(Solved)

Time allowed : 3 hours | Maximum Marks : 106

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **40 questions.** All questions are **compulsory.**

ii. This question paper is divided into **4 sections.**

iii. **Section A** – questions number **1 to 20** are multiple choice questions

iv. **Section B** – questions number **21 to 26** are short answer type i

v. **Section C** – questions number **27 to 34** are short answer type ii

vi. **Section D** – questions number **35 to 40** are long answer

vii. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions.

viii. Use of calculator is NOT allowed.

Section A

Question 1.

Which of the following are 'Standing Plans' ?

(i) Budgets

(ii) Policies

(iii) Programmes

(iv) Procedures

(v) Methods

(vi) Rules

Choose the correct alternative :

[1 Marks]

(A) (i), (ii), (iii) and (iv)

(B) (ii), (iv), (v) and (vi)

(C) (ii), (iii), (v) and (vi)

(D) (iii), (iv), (v) and (vi)

Explanation:

Standing plans are the ongoing plans that provide guidelines for repetitive situations. They include Policies, Procedures, Methods, and Rules because these are used repeatedly over time to guide actions. Budgets and Programmes are types of single-use plans. Therefore, the correct options representing standing plans are Policies, Procedures, Methods, and Rules.

Question 2.

Which of the following is not a factor affecting investment decision ?

[1 Marks]

(A) Control considerations

(B) Cash flows of the project

(C) Investment criteria involved

(D) Rate of return

Explanation:

Investment decisions are influenced by factors such as control considerations, rate of return, and cash flows of the project. 'Investment criteria involved' refers to the standards or benchmarks used to evaluate investments rather than a factor affecting the decision itself. Therefore, it is not a direct factor affecting the investment decision.

Question 3.

'The stock exchange can play 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 function of the stock exchange highlighted above is :

[1 Marks]

(A) Pricing of securities

(B) Safety of transaction

(C) Spreading of equity cult

(D) Providing scope for speculation

Explanation:

The statement highlights how the stock exchange helps to increase public participation in share ownership by educating investors, regulating new share issues, and promoting fair trading practices. This function is known as spreading the 'equity cult,' which means encouraging more people to invest in shares and become part owners of companies.

Question 4. From the following, identify the incorrect statement with respect to 'Delegation' :

[1 Marks]

(A) It increases the role of the subordinates in the organisation by giving them more autonomy.

(B) It is a process followed to share tasks.

(C) Delegation is a compulsory act because no individual can perform all tasks on his own.

(D) It has a narrow scope as it is limited to the superior and his immediate subordinate.

Explanation: Delegation is not limited to only the superior and his immediate subordinate; it can be extended to any levels within the organization as required. It involves the process of sharing tasks and authority, increasing subordinates' roles by giving them more autonomy. It is also considered a compulsory act as no individual can perform all tasks alone.

Question 5.

Bisphenol A is one of the most harmful chemicals used to make plastic water bottles. Its levels increase when the water is stored in these bottles for a long period of time. Keeping health considerations in mind, Ketan ordered six glass water bottles and decided not to use plastic bottles in the future. On receiving the parcel, he found that two bottles were broken as the container or wrapper was not adequate to protect the bottles. The product-related decision neglected by the marketer was :

[1 Marks]

(A) Labelling

(B) Packaging

(C) Both (B) and (C)

(D) Branding

Explanation:

The marketer neglected the packaging aspect because the glass bottles were not adequately protected during transportation, resulting in two broken bottles. Packaging is crucial for protecting fragile products like glass bottles, and inadequate packaging can lead to damage during delivery.

Question 6. ‘‘With the growth of computers, more and more companies are using interactive sites on the Internet, to gather customer views and opinions, before taking important business decisions.’’ Identify the marketing function highlighted in the above lines.

[1 Marks]

(A) Marketing planning

(B) Branding

(C) Product designing and development

(D) Gathering and Analysing Market Information

Explanation: The marketing function highlighted is 'Gathering and Analysing Market Information' because companies are collecting customer views and opinions through interactive internet sites. This information helps them understand market needs and preferences, enabling them to make informed business decisions. This function is crucial for effective marketing planning and product development.

Question 7. ‘Green Tech Solutions’, a renewable energy company, set a target of reducing its production cost by 15% in the current financial year. After a few months, the management reviews the progress and finds that the cost reduction measures implemented have not been as effective as planned. By reviewing the progress ‘Green Tech Solutions’ has completed one of the steps of controlling process. Identify the step of controlling process from the following :

[1 Marks]

(A) Setting performance standards

(B) Analysing deviations

(C) Taking corrective actions

(D) Comparing actual performance with standards

Explanation: In the controlling process, after setting performance standards, the next step is to measure and compare the actual performance with these standards. Green Tech Solutions reviewing the progress to see if the target is met corresponds to this step—comparing actual performance (cost reduction achieved) with the set standard (15% cost reduction target).

Question 8.

Read the following statements : Assertion (A) and Reason (R).

Assertion (A) : Informal organisation has a definite structure or form.

Reason (R) : Informal organisation is a complex network of social relationships among members.

Choose the correct alternative from the options given below :

[1 Marks]

(A) Assertion (A) is true, but Reason (R) is false.

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

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

(D) Assertion (A) is false, but Reason (R) is true.

Explanation:

The assertion that informal organisation has a definite structure or form is incorrect because informal organisation does not have a formal or definite structure. It emerges naturally based on social interactions among members. The reason is true because informal organisation is indeed a complex network of social relationships among members, formed spontaneously without any formal direction.

Question 9. After identifying the needs and wants of the target market and understanding that parents were increasingly looking for eco-friendly and safe toys for their children, a toy manufacturing company 'Deepak Toys Ltd.' decides to use eco-friendly materials for their toys. The company also ensures that their manufacturing process will not harm the environment. environment. The marketing management philosophy that guided the efforts of 'Deepak Toys Ltd.' is :

[1 Marks]

(A) Selling concept

(B) Societal marketing concept

(C) Marketing concept

(D) Product concept

Explanation: The societal marketing concept focuses on fulfilling the needs and wants of the target market while also improving the well-being of society and protecting the environment. Since Deepak Toys Ltd. is using eco-friendly materials and ensuring that their manufacturing process does not harm the environment, they are following the societal marketing concept. This goes beyond just satisfying customer needs to include social responsibility.

Question 10.

Identify and explain the three principles of management given by Henri Fayol which can help in addressing the challenges faced by the company.

[1 Marks]



(A) Strategy

(B) Rule

(C) Method

(D) Policy

Explanation:

Among the given options, 'Rule' is closest to the principles given by Henri Fayol. Fayol's principles of management include Division of Work, Authority and Responsibility, Discipline, Unity of Command, Unity of Direction, Subordination of Individual Interest to General Interest, Remuneration, Centralization, Scalar Chain, Order, Equity, Stability of Tenure of Personnel, Initiative, and Esprit de Corps. These principles act as rules or guidelines for effective management to help address challenges faced by companies. The other options such as Strategy, Method, and Policy are related but not specifically the principles defined by Fayol.

Question 11. Organising involves a series of steps that need to be taken in order to achieve the desired goal. Identify the correct sequence of steps of organising function of management from the following :

[1 Marks]

(A) Departmentalisation, Identification and Division of work, Assignment of duties, Establishing reporting relationships.

(B) Departmentalisation, Assignment of duties, Identification and Division of work, Establishing reporting relationships.

(C) Identification and Division of work, Departmentalisation, Establishing reporting relationships, Assignment of duties.

(D) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships.

Explanation: The process of organising in management starts with Identification and Division of work, where the total work is divided into smaller tasks. Next is Departmentalisation, where these tasks are grouped based on similar nature or functions. Then comes Assignment of duties, where tasks are assigned to individuals or groups. Finally, Establishing reporting relationships defines the hierarchy and communication flow, ensuring coordination among various departments and individuals. This sequence ensures a systematic organisation structure to achieve the desired goals.

Question 12.

'GEO Builders' were to complete a housing project by December 2024 and hand over the flats to the buyers. Due to excessive heat in the month of May and June 2024, the work slowed down and the project was getting delayed. The firm, in order to complete the project on time, hired more workers through a contractor and asked all the workers to work overtime. Due to the above measures taken by the management, the project was completed on time but the cost of building the flats increased by 10%.

Identify the correct option. 'GEO Builders' were :

[1 Marks]

(A) Neither effective nor efficient

(B) Effective as well as efficient

(C) Efficient but not effective

(D) Effective but not efficient

Explanation:

'GEO Builders' achieved their goal of completing and handing over the project on time, which means they were effective. However, since the cost increased by 10% due to additional workers and overtime, they did not use their resources in the most economical way, thereby lacking efficiency.

Efficiency relates to doing a task with minimum cost or effort. Hence, they were effective but not efficient.

Question 13.

'KM Creations', a leading fashion brand, has been expanding its business into new markets. However, recently the company is facing challenges due to changes in inflation rates and disposable income of people. These factors have started affecting the company's pricing strategy and profitability. 'KM Creations' is now closely monitoring these changes to minimise their impact on its operations.

The component of business environment highlighted in the above para is :

[1 Marks]

(A) Technological Environment

(B) Political Environment

(C) Social Environment

(D) Economic Environment

Explanation:

The paragraph highlights changes in inflation rates and disposable income, which are economic factors. These affect pricing strategy and profitability, indicating that the business is influenced by the Economic Environment. The Economic Environment includes all economic factors like inflation, income levels, and market conditions that impact business operations.

Question 14.

Read the following statements : Assertion (A) and Reason (R).

Assertion (A) : The dividend in growth companies is smaller 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 the options given below :

[1 Marks]

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

(B) Assertion (A) is true, but Reason (R) is false.

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

(D) Assertion (A) is false, but Reason (R) is true.

Explanation:

Growth companies retain most of their earnings to reinvest in expanding their operations and to finance new projects, resulting in lower dividend payouts. Non-growth companies typically have fewer investment opportunities and therefore distribute a higher portion of their earnings as dividends. Hence, both Assertion and Reason are true, and Reason correctly explains the Assertion.

Question 15. Identify the incorrect statement with respect to 'Product' as an element of Marketing Mix :

[1 Marks]

(A) A product is a bundle of utilities, which is purchased because of its capability to provide satisfaction of a certain need.

(B) Product relates to not only the physical product, but also the benefits offered by it from the customer's view point.

(C) A customer may seek to satisfy functional, promotional and technological benefits from the purchase of a product.

(D) A buyer buys a product or service for what it does or the benefit it provides.

Explanation: The incorrect statement is the one mentioning 'promotional' benefits as a customer seeks functional, social, and psychological benefits from a product, but 'promotional' benefits are not typically considered a direct benefit sought from the product itself. The marketing mix element 'Product' focuses on the physical product and the benefits it provides, such as functional utility and satisfaction of needs. Promotional activities relate more to 'Promotion' in the marketing mix and do not describe benefits derived directly from the product.

Question 16.

Read the following statements carefully :

Statement I : Staffing is the most fundamental and critical drive of organisational performance and this function has assumed greater importance because of rapid advancement of technology.

Statement II : Understanding manpower requirements is, only to know the number of persons needed in the organisation.

In the light of the statements given, choose the correct alternative from the following :

[1 Marks]

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

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

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

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

Explanation:

Statement I is correct because staffing is indeed a fundamental function that significantly influences organisational performance, especially with rapid technological advancements requiring skilled personnel. Statement II is incorrect because understanding manpower requirements involves not only knowing the number of persons needed but also understanding the skills, qualifications, and types of employees required for the organisation.

Question 17. The process of holding securities in an electronic form is known as :

[1 Marks]

(A) Dematerialisation

(B) Rematerialisation

(C) Capitalisation

(D) Depository

Explanation: Dematerialisation is the process of converting physical share certificates into electronic form, thereby holding securities electronically. This eliminates the need for physical certificates and facilitates easier transfer and management of securities. Therefore, the correct answer is Dematerialisation.

Question 18.

Match the concepts given in Column-II with their meanings given in Column-I.

Choose the correct option from the following :

[1 Marks]

	Column-I		Column-II
(a)	It is the activity of influencing people to strive willingly for group objectives.	(i)	Communication
(b)	It is the process of exchange of ideas, views, facts, feelings, etc. between or among people to create a common understanding.	(ii)	Leadership
(c)	It is the process of instructing, guiding, counselling, motivating and leading people in the organization to achieve its objectives.	(iii)	Motivation
(d)	It is the process of stimulating people to action to accomplish desired goals.	(iv)	Directing

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

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

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

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

Explanation:

The correct matching is option (a)-(ii), (b)-(i), (c)-(iv), (d)-(iii) because each concept in Column-II correctly corresponds to its meaning in Column-I as per the definitions provided in the context. This option correctly aligns each concept with its accurate meaning, ensuring conceptual clarity.

Question 19. _____ is a legally enforceable document issued by the broker to the investor within 24 hours of executing trade which helps to settle disputes/claims between the investor and the broker.

[1 Marks]

(A) Contract note

(B) Order confirmation slip

(C) Unique order code

(D) Client registration form

Explanation: A contract note is a legally enforceable document issued by the broker to the investor within 24 hours after executing a trade. It contains details of the trade and serves as proof of the transaction. This document is crucial in case of any disputes or claims between the investor and the broker, as it provides official evidence of the trade terms.

Question 20.

Read the following statements carefully :

Statement I : Financial market is the market for the creation and exchange of financial assets.

Statement II : On the basis of ‘‘maturity of financial instruments traded’’, financial market is classified into money market and capital market.

In the light of the given statements, choose the correct alternative from the following :

[1 Marks]

(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 false.

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

Explanation:

Statement I is correct because the financial market indeed involves the creation and exchange of financial assets such as stocks, bonds, and other securities. Statement II is also correct because based on the maturity of financial instruments traded, financial markets are classified into money market (for short-term instruments) and capital market (for long-term instruments). Therefore, both statements are true.

Section B

Question 21.

State the three leadership styles.

[3 Marks]

Answer: Three Leadership Styles:

1. **Autocratic Leadership:** In this style, the leader makes decisions alone without consulting others. The leader has complete control over the team and expects obedience.
2. **Democratic Leadership:** Also called participative leadership, here the leader involves team members in decision making. Ideas and suggestions are welcomed, promoting teamwork.
3. **Laissez-Faire Leadership:** This style allows team members to make decisions independently with minimal interference from the leader. The leader provides tools and support but gives freedom to the team.

Key Points: Autocratic Leadership - Democratic Leadership - Laissez-Faire Leadership

Question 22.

State any three financial incentives which may be used to motivate people.

[3 Marks]

Answer: Three financial incentives used to motivate people are:

(a) **Salary Increase:** A rise in the basic pay of an employee encourages them to work more efficiently and remain loyal to the organization.

(b) **Bonus:** This is an additional payment given for achieving specific targets or for good performance which motivates employees to excel.

(c) **Commission:** Payment based on the amount of sales made or work done which motivates employees to increase their efforts and productivity.

> **Key Points: Salary increase - Bonus - Commission**

Question 23.

State any three 'Regulatory functions' of the Securities and Exchange Board of India.

[3 Marks]

Answer: Three Regulatory Functions of SEBI are:

(a) Regulating Stock Exchanges: SEBI regulates the working of stock exchanges to ensure fair practices and protect investors from malpractices.

(b) Registration and Regulation of Market Intermediaries: SEBI registers and regulates intermediaries such as brokers, merchant bankers, and mutual funds to ensure they follow rules and operate transparently.

(c) Prohibition of Fraudulent and Unfair Trade Practices: SEBI frames guidelines to prevent fraudulent activities and unfair trade practices in the securities market, thereby protecting investors' interests.

> **Key Points: Regulating Stock Exchanges - Registration and Regulation of Intermediaries - Prevention of Fraudulent and Unfair Practices**

Question 24.

Differentiate between 'Capital Market' and 'Money Market' on the basis of the following :

(i) Liquidity

(ii) Safety

(iii) Expected Return

[3 Marks]

Answer: (i) Liquidity: Money Market instruments are highly liquid and can be quickly converted into cash, whereas Capital Market instruments are less liquid as they involve long-term investments.
(ii) Safety: Money Market is considered safer because it deals with short-term debt instruments with low risk. Capital Market has higher risk due to long-term investments in equities and bonds.
(iii) Expected Return: Money Market offers lower returns as it involves low-risk short-term funds. Capital Market offers higher returns due to the greater risk associated with long-term investments.

Key Points: Liquidity: Money Market is highly liquid while Capital Market is less liquid - Safety: Money Market is safer, Capital Market is riskier - Expected Return: Money Market offers lower returns, Capital Market offers higher returns

Question 25.

'Chaman Pharmaceuticals Ltd.' is a company providing medicines all over the country. After establishing itself and making a name in the field of medicines, it decided to enter into the field of medical devices, baby care products and nutritional supplements. Each product category had a different head accountable for profits, revenues and costs. In case of poor performance of their product, the heads were held responsible. But as the heads of different product categories were different, conflict could arise among different heads with reference to allocation of funds. Also providing a separate set of similar functional heads for each product category increased expenditure.

(i) Identify and explain the type of organisation structure 'Chaman Pharmaceuticals Ltd.' had followed after entering into the field of medical devices, baby care products and nutritional supplements.

(ii) Also state any one advantage and any one disadvantage of the organizational structure discussed in the above para by quoting lines.

[3 Marks]

Answer: (i) The organisation structure followed by Chaman Pharmaceuticals Ltd. is the **Divisional Organisation Structure.** This structure divides the company into different divisions based on product categories like medical devices, baby care products and nutritional supplements. Each division has its own head who is responsible for profits, revenues and costs of that division. This allows the company to focus on specific markets and products separately.
(ii) **Advantage:** "Each product category had a different head accountable for profits, revenues and costs." This helps in better control and accountability within each product division.
Disadvantage: "Providing a separate set of similar functional heads for each product category increased expenditure." This means the company has to spend more money due to duplication of functional activities in each division. Also, "conflict could arise among different heads with reference to allocation of funds," which can create disagreements and affect coordination.

Key Points: Divisional Organisation Structure - Separate heads for each product - Increased expenditure and possible conflicts

Question 26.

'Refresh Zone' was a popular coffee house chain offering premium coffee and snacks in a cozy environment. However, over time, the company began to face challenges in maintaining its market position. Customers had started complaining about lack of variety failing to cater to evolving consumer preferences. Also the price of coffee in 'Refresh Zone' was significantly higher than its competitors. Many consumers felt that the quality of coffee was not justifying its premium pricing.

Identify and explain two components of marketing mix that the management of 'Refresh Zone' needs to work on.

[3 Marks]

Answer: Answer:

(a) **Product:** The customers complained about lack of variety in the offerings, which shows that the product component needs improvement. Refresh Zone should introduce new flavors, different types of coffee, and snacks to match changing consumer preferences. This will help attract more customers and retain existing ones.

(b) **Price:** The price of coffee at Refresh Zone was significantly higher than competitors, and customers felt that the quality did not justify the premium pricing. The management should reconsider their pricing strategy, possibly by reducing prices, offering discounts, or adding value to justify higher prices. This will make their products more competitive and appealing to customers.

> **Key Points: Product variety needs improvement - Price perceived as too high - Align quality with pricing strategy**

Section C

Question 27.

'Global Foods Ltd.', a multinational company in the food processing industry, has a good customer base. Recently it has expanded into new international markets. But due to increased awareness for health care,

there is a shift in consumer demand for healthier food options. For this reason, the company needs to adapt to frequent technological advancements in production processes so that healthy food product options can be made available in the market. Additionally, the company is concerned about fluctuations at global level in commodity prices, exchange rates and political conditions. 'Global Foods Ltd.' is finding it increasingly difficult to predict future outcomes due to the constantly changing nature of the market. In order to effectively cope up with these significant changes, managers have to understand and examine the environment to develop suitable courses of action. By continuously

monitoring the environment and adopting suitable business practices, the company will not only improve its present performance but also continue with it for a long period in achieving its objectives.

Identify and explain two features and two points of importance of business environment discussed in the above para.

[4 Marks]

Answer: (a) Two features of business environment:
1. Dynamic Nature: The business environment is constantly changing as seen by the shift in consumer demand for healthier food options and fluctuations in commodity prices and political conditions.
2. Complex and Uncertain: The environment includes many factors like technology changes, exchange rates and political situations, making it difficult for the company to predict future outcomes.
(b) Two points of importance of business environment:
1. Helps in Planning: By understanding the environment, managers can develop suitable strategies to adapt to changes and meet customer needs effectively.
2. Ensures Sustainable Growth: Continuous monitoring and adoption of practices based on environmental changes help the company improve current performance and sustain its success in the long run.

Key Points: Dynamic nature of business environment - Complexity and uncertainty in environment - Importance of environmental scanning for planning and sustainability

Question 28.

Kapila is working at 'Cresa Engineering Solutions', an engineering consultancy firm. Despite being frequently enticed by many competitive companies offering her a higher pay package, Kapila chooses to stay with 'Cresa Engineering Solutions'. She enjoys her work as her job is designed with greater variety of work content requiring higher level of knowledge and skill and provides the opportunity for personal growth. The company has appropriate skill development programmes and a sound promotion policy due to which Kapila has been getting promotions year after year. Not only this, Kapila's work is being appreciated by the management from time to time. She always gives valuable suggestions and is being rewarded for that also. Over and above, the company implements

measures to ensure stability of the employees in the organisation. All

these factors motivate Kapila to continue to work in 'Cresa Engineering

Solutions'.

Identify and explain the four non-financial incentives discussed in the

above case.

[4 Marks]

Answer: Four non-financial incentives in the case are:
(a) **Job Design and Work Content:** Kapila enjoys her job because it involves a variety of tasks that require higher knowledge and skills. This makes her work interesting and challenging, which keeps her motivated.
(b) **Skill Development Programmes:** The company provides appropriate training and skill development opportunities. This helps Kapila to improve her abilities and grow professionally.
(c) **Promotion Policy:** The firm has a sound promotion system that rewards Kapila with promotions year after year, giving her a sense of advancement and recognition.
(d) **Appreciation and Recognition:** Kapila is regularly appreciated by the management and rewarded for her valuable suggestions, which boosts her morale.
Additionally, the company ensures job security by taking measures to stabilize employees which increases Kapila's loyalty towards the organisation.

> **Key Points: Interesting job design - Skill development programmes - Promotion opportunities - Appreciation and job security**

Question 29.

Explain the following features of Coordination :

(i) Coordination ensures unity of action.

(ii) Coordination is the responsibility of all managers.

[4 Marks]

Answer: (i) Coordination ensures unity of action: Coordination brings all the activities and efforts of different departments and individuals together so that they work towards common goals. It helps in avoiding conflicts and duplication of work, ensuring that everyone is moving in the same direction. This unity of action leads to better efficiency and achievement of organizational objectives.
(ii) Coordination is the responsibility of all managers: Coordination is not only the role of top management but also every manager at different levels. Each manager must communicate and cooperate with others to synchronize efforts. This shared responsibility ensures smooth functioning of the organization and timely accomplishment of tasks.

Key Points: Coordination unites activities for common goals - Avoids conflicts and duplication - Every manager shares responsibility for coordination

Question 30.

Explain the following features of Management :

(i) Management is a goal-oriented process.

(ii) Management is all pervasive.

[4 Marks]

Answer: (i) Management is a goal-oriented process: Management aims to achieve specific objectives effectively and efficiently. It involves planning, organizing, directing, and controlling resources to meet desired goals. Without clear goals, management cannot function properly.
(ii) Management is all pervasive: Management is required in all types of organizations like businesses, schools, hospitals, and government bodies. It is applicable in all areas and at all levels of management such as top-level, middle-level, and lower-level management. Hence, management is universal and found everywhere.

Key Points: Management aims to achieve goals - Management involves planning and controlling - Management is required in all types of organizations - Management is applicable at all levels

Question 31.

'Pestle', is the country's largest biscuit manufacturing company, that makes high quality biscuits with focus on customer satisfaction. The company strives to understand what people want and provides tasty and healthy biscuits. To ensure the quality, a robust control system has been installed by the company. This helps the organisation to measure progress towards its goals and brings to light the deviations, if any. It also enables the management to verify whether the standards set are accurate and objective or not.

The above para highlights the importance of the Controlling function of management.

Identify and explain any two points of importance of the Controlling function discussed above.

[4 Marks]

Answer: (a) Measurement of Progress: The controlling function helps the company to measure its progress towards its goals. By installing a robust control system, Pestle can track whether it is achieving its objectives like producing high quality and healthy biscuits.
(b) Identification of Deviations and Verification of Standards: Controlling brings to light any deviations

from the set standards. It also helps management verify if the standards are accurate and objective. This ensures continual improvement and customer satisfaction.

> **Key Points: Measures progress towards goals - Identifies deviations from standards - Verifies accuracy and objectivity of standards**

Question 32.

Explain any two points of importance of consumer protection from the point of view of business.

[4 Marks]

Answer: Importance of Consumer Protection for Business:
(a) **Builds Customer Loyalty:** When businesses ensure consumer protection, customers feel safe and valued. This increases trust and encourages repeat purchases, which leads to long-term customer loyalty and stable sales.
(b) **Enhances Business Reputation:** Consumer protection helps businesses maintain a good reputation in the market. Satisfied customers often spread positive word of mouth, attracting new customers and helping the business to grow sustainably.

> **Key Points: Builds customer loyalty - Enhances business reputation - Promotes sustainable growth**

Question 33.

Explain the following functions of Marketing :

(i) Standardisation and Grading

(ii) Gathering and Analysing Market Information

[4 Marks]

Answer: (i) **Standardisation and Grading:** This function ensures that products are uniform in quality and size, making them easier to sell and buy. Standardisation creates consistency in products, while grading classifies products into different groups based on quality or size, which helps buyers make informed decisions and producers to maintain quality control.
(ii) **Gathering and Analysing Market Information:** This involves collecting data about customers, competitors, and market trends. Analysing this information helps businesses understand customer needs, preferences, and market demand. It is essential for making informed decisions related to product development, pricing, and promotion strategies, thus reducing business risks and improving competitiveness.

> **Key Points: Standardisation ensures uniformity - Grading classifies products by quality or size - Gathering information helps understand market trends - Analysing data aids in**

decision making and reduces risks

Question 34.

Explain the following components of Physical Distribution :

(i) Order Processing

(ii) Transportation

[4 Marks]

Answer: (i) Order Processing: Order processing refers to the steps involved in receiving, handling, and fulfilling customer orders. It includes verifying the order, checking inventory, billing, and ensuring the product is prepared for delivery. Efficient order processing helps in reducing lead time and improving customer satisfaction.
(ii) Transportation: Transportation is the movement of goods from the manufacturer or warehouse to the end customer. It plays a crucial role in ensuring timely delivery and maintaining product quality during transit. Different modes like road, rail, air, or sea are used based on cost, speed, and nature of the product.

Key Points: Order processing involves receiving and fulfilling customer orders - Order processing includes inventory check and billing - Transportation moves goods to customers efficiently - Different transport modes affect cost and delivery time

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Section D

Question 35.

A company, 'SK Energy Ltd.' is providing solar energy solutions in some states of the country. Now it wants to expand its operations in some other states also. It needs ₹ 30,00,000 for its expansion. The Chief Financial Officer suggested two options for this.

Option I : To raise the entire funds through issue of shares of ₹ 10 each.

Option II : To raise ₹ 10,00,000 through issue of shares of ₹ 10 each and ₹ 20,00,000 by raising debt @ 10% p.a.

The return on investment of the firm is 12% and tax rate is 30%.

(i) Which of the two options will maximise shareholders' wealth ? Give reason in support of your answer.

(ii) Will the earning per share improve if return on investment of the company is 8% ? Give reason in support of your answer. Show your working clearly.

[6 Marks]

Answer: (i) To determine which option maximises shareholders' wealth, we need to calculate the Earnings Per Share (EPS) under both options.

Option I: Entire funds raised through equity.

Total funds required = 30,00,000

Face value per share = ₹ 10

No. of shares = 30,00,000 / 10 = 3,00,000 shares

Return on investment (ROI) = 12%

Total Earnings = 12% of 30,00,000 = ₹ 3,60,000

Earnings available to shareholders = 3,60,000 (no interest payment)

EPS = Earnings / No. of shares = 3,60,000 / 3,00,000 = ₹ 1.20

Option II: ₹ 10,00,000 by equity and ₹ 20,00,000 by debt at 10% p.a.

No. of shares = 10,00,000 / 10 = 1,00,000 shares

Interest on debt = 10% of 20,00,000 = ₹ 2,00,000

Earnings before interest and tax = 12% of 30,00,000 = ₹ 3,60,000

Less: Interest = 2,00,000

Earnings before tax (EBT) = 3,60,000 - 2,00,000 = ₹ 1,60,000

Tax @ 30% = 30% of 1,60,000 = ₹ 48,000

Earnings after tax (EAT) = 1,60,000 - 48,000 = ₹ 1,12,000

EPS = EAT / No. of shares = 1,12,000 / 1,00,000 = ₹ 1.12

Comparison:

EPS under Option I = ₹ 1.20

EPS under Option II = ₹ 1.12

Since EPS is higher in Option I, issuing whole amount through equity maximises shareholders' wealth.

Reason: Although Option II uses cheaper debt finance, the interest expense reduces earning after tax and EPS.

(ii) If ROI drops to 8%, will EPS improve under Option II?

Calculate EPS for ROI = 8%

Total earnings = 8% of 30,00,000 = ₹ 2,40,000

Option I:

No. of shares = 3,00,000

EPS = 2,40,000 / 3,00,000 = ₹ 0.80

Option II:

Interest on debt = ₹ 2,00,000 (unchanged)

EBT = 2,40,000 - 2,00,000 = ₹ 40,000

Tax @ 30% = 12,000
EAT = 40,000 - 12,000 = ₹ 28,000
EPS = 28,000 / 1,00,000 = ₹ 0.28

Since EPS in Option II (₹ 0.28) is less than Option I (₹ 0.80) at 8% ROI, EPS does not improve with the introduction of debt when ROI is less than cost of debt.
Reason: When ROI is lower than debt cost, debt worsens earnings due to interest burden.

Conclusion: Option I maximises shareholders' wealth both at 12% and 8% ROI.
Therefore, the company should raise entire funds through equity to maximise EPS and shareholders' wealth.

> Key Points: Calculate EPS for both options - EPS higher in Option I at ROI 12% - Debt interest reduces EPS under Option II - At ROI 8%, EPS further reduces under Option II - Debt not beneficial if ROI < cost of debt

Question 36.

Explain any four points of importance of Planning function of management.

[6 Marks]

Answer: Importance of Planning Function of Management
Planning is a fundamental function of management that provides direction and purpose to an organization. The following are four important points highlighting the significance of planning:
(a) Provides Direction: Planning helps in setting objectives and determining the best course of action to achieve those objectives. It guides all the activities of the organization towards common goals.
(b) Reduces Uncertainty: By forecasting future conditions and preparing appropriate strategies, planning minimizes the uncertainty in decision making. It allows managers to anticipate changes and adapt accordingly.
(c) Facilitates Coordination: Planning coordinates the efforts of different departments and individuals by aligning their activities. It ensures that everyone works harmoniously to achieve organizational targets.
(d) Improves Efficiency: Effective planning enables optimal utilization of resources by identifying the requirements in advance. It helps in avoiding wastage and reduces costs, thereby improving overall efficiency.
Thus, planning is essential for successful management as it lays the foundation for all other functions like organizing, staffing, directing, and controlling.

> Key Points: Provides direction - Reduces uncertainty - Facilitates coordination - Improves efficiency

Question 37.

Explain any four points of importance of Decentralisation.

[6 Marks]

Answer: Importance of Decentralisation:
(a) Better Decision Making: Decentralisation allows decisions to be taken at different levels closer to the operational area which results in faster and more effective decisions.
(b) Encourages Initiative and Innovation: When authority is delegated, employees feel more responsible and motivated to take initiatives and come up with innovative ideas.
(c) Reduces Burden on Top Management: By delegating authority, top management can focus on planning and policy making rather than routine work.
(d) Improves Flexibility and Adaptability: Decentralised organisations can respond quickly to changes in the environment as decisions are made locally based on immediate circumstances.
Thus, decentralisation improves efficiency and growth of an organisation.

> **Key Points: Better Decision Making - Encourages Initiative and Innovation - Reduces Burden on Top Management - Improves Flexibility and Adaptability**

Question 38.

Explain any four organisational barriers to communication.

[6 Marks]

Answer: Organisational barriers to communication are obstacles within an organisation that hinder the clear and effective exchange of information. Four common organisational barriers are:
(a) Hierarchy Barrier: In organisations with multiple levels of hierarchy, information may get distorted or lost as it travels up or down the chain of command, causing misunderstanding.
(b) Departmental Barriers: Different departments may have different goals and jargon, which can create confusion and reduce cooperation between teams.
(c) Physical Barriers: Physical distance or poor office layout can limit face-to-face communication and prompt delays or miscommunication.
(d) Information Overload: When employees receive too much information at once, it becomes difficult to process and prioritize, leading to missed or ignored messages.
These barriers reduce organisational efficiency and affect relationships, so it is important to identify and address them for better communication.

> **Key Points: Hierarchy barrier - Departmental barriers - Physical barriers - Information overload**

Question 39.

Explain the following steps in the process of Selection :

(i) Preliminary screening

(ii) Selection tests

(iii) Job offer

[6 Marks]

Answer: (i) Preliminary screening: This is the first step in the selection process where the employer reviews all the job applications and resumes received from candidates. The main objective is to filter out unqualified or unsuitable candidates. Only those candidates whose qualifications, experience, and skills match the job requirements are shortlisted for further selection stages.
(ii) Selection tests: After preliminary screening, shortlisted candidates are asked to undergo various selection tests. These tests may include written tests, aptitude tests, physical tests, skill tests, and psychological tests. The purpose is to assess the candidate's abilities, knowledge, personality traits, and suitability for the job. These tests help employers make informed decisions about the candidate's potential performance.
(iii) Job offer: Once the suitable candidates are selected based on test results and interviews, a job offer is made. This offer includes important details such as job role, salary, terms of employment, and other benefits. The candidate can accept or reject the offer. If accepted, the candidate becomes an employee of the organization and the final joining formalities begin.

> **Key Points: Preliminary screening filters candidates based on qualifications - Selection tests assess skills and suitability - Job offer includes role, salary, and terms of employment**

Question 40.

'Marut Enterprises' is a large company manufacturing washing machines. From the last few months, employees have been reporting dissatisfaction with the overall work environment which has led to a decline in productivity. The management realized that there is no coordination between various departments. On one hand, the Production Manager is giving instructions to the workers to speed up the work to achieve the targets whereas on the other hand, the Sales Manager is also giving instructions to the workers of the production department to slow down the production as sales are not picking up. It was also observed by the company's management that there is a lack of proper communication among different levels of superiors and subordinates. Even in case of emergencies, a worker is not in a position to contact the Chief Executive Officer directly, which is affecting the productivity and

the morale of the workforce. The management felt a need to foster a positive environment which may promote team spirit of unity and harmony among the employees.

Identify and explain the three principles of management given by Henri Fayol which can help in addressing the challenges faced by the company.

[6 Marks]

Answer: Three principles of management by Henri Fayol to address the challenges faced by Marut Enterprises are:

(a) Unity of Direction: This principle states that all activities having the same objective should be directed by one manager using one plan. In Marut Enterprises, the conflicting instructions given by Production Manager and Sales Manager show a lack of unity of direction. By adopting this principle, the company can ensure coordination among departments and a common plan to achieve organizational goals effectively.

(b) Scalar Chain: This principle refers to a clear and unbroken line of authority from the top level to the lowest level. In the case given, workers cannot directly contact the CEO in emergencies which hampers communication and morale. Implementing scalar chain properly allows smooth communication through defined channels, but also includes 'gang plank' or shortcuts in emergencies for effective decision-making.

(c) Espirit de Corps: This principle emphasizes promoting team spirit and unity among employees. Marut Enterprises needs to foster a positive environment that encourages harmony and cooperation. When employees feel united and motivated, productivity improves and dissatisfaction reduces.

Thus, by applying these principles, Marut Enterprises can improve coordination, communication and overall work environment leading to better productivity and employee satisfaction.

> **Key Points: Unity of Direction - Scalar Chain - Espirit de Corps**