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.

'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) Efficient but not effective

(B) Neither effective nor efficient

(C) Effective but not efficient

(D) Effective as well as efficient

Explanation:

The project was completed on time, which means GEO Builders were effective in achieving their goal. However, the cost increased by 10%, indicating that the resources were not used optimally, so they were not efficient. Therefore, they were effective but not efficient.

Question 2.

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) 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:

Informal organisation does not have a definite structure or form; rather, it is an unstructured and spontaneous network of social relationships among members of an organisation. The reason is true because informal organisation arises naturally based on personal and social interactions among individuals.

Question 3.

'Through the process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues.' The function of the stock exchange highlighted above is :

[1 Marks]

(A) Providing scope for speculation

(B) Contributing to economic growth

(C) Spreading of equity cult

(D) Providing liquidity and marketability to existing securities

Explanation:

The statement highlights how the stock exchange helps in directing savings into productive investments by the process of disinvestment and reinvestment. This efficient allocation of resources promotes capital formation and industrial growth, thereby contributing to overall economic growth. Thus, the correct function described here is 'Contributing to economic growth.'

Question 4.

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. The marketing management philosophy that guided the efforts of 'Deepak Toys Ltd.' is :

[1 Marks]

(A) Marketing concept

(B) Societal marketing concept

(C) Selling concept

(D) Product concept

Explanation:

The societal marketing concept emphasizes not only satisfying customer needs and wants but also ensuring the well-being of society and the environment. Deepak Toys Ltd. is using eco-friendly materials and caring for the environment in its manufacturing process, reflecting concern for society's interests alongside customer satisfaction. Therefore, the societal marketing concept is the correct philosophy guiding the company.

Question 5.

'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) Political Environment

(B) Technological Environment

(C) Social Environment

(D) Economic Environment

Explanation:

Question 6.

Identify the type of plan shown on the Notice Board of the factory, from the picture given below :

[1 Marks]



(A) Strategy

(B) Rule

(C) Policy

(D) Method

Explanation: A Rule is a specific statement that tells employees what they must or must not do, often displayed clearly on notice boards in factories to maintain discipline and ensure safety. Unlike policies which are general guidelines, methods which describe how to perform tasks, or strategies which are long-term plans, rules are precise and mandatory instructions, making 'Rule' the correct answer.

Question 7. 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) 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: Growth companies have higher opportunities for expansion and therefore need more funds for reinvestment. As a result, they retain a larger portion of their earnings and pay a smaller dividend to shareholders. This is why the dividend in growth companies is smaller than in non-growth companies. Hence, both Assertion (A) and Reason (R) are true, and Reason (R) correctly explains Assertion (A).

Question 8. 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) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships.

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

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

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

Explanation: The organising function of management involves first identifying and dividing the work to be done. Then similar tasks are grouped together in departments, which is called departmentalisation. After that, specific duties are assigned to individuals or groups. Finally, establishing reporting relationships defines who reports to whom, completing the organisational structure. Hence, the correct sequence is Identification and Division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships.

Question 9.

Identify the incorrect statement with respect to ‘Product’ as an element of Marketing Mix :

[1 Marks]

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

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

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

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

Explanation:

The incorrect statement is that a customer may seek promotional benefits from the purchase of a product. In the marketing mix, the 'Product' element typically involves satisfying functional, social, and psychological needs or benefits, but 'promotional benefits' are not a direct benefit of the product itself; rather, promotions relate to marketing communication. Therefore, this option is incorrect as it misrepresents the types of benefits a product provides to the customer.

Question 10.

'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) Taking corrective actions

(B) Setting performance standards

(C) Comparing actual performance with standards

(D) Analysing deviations

Explanation:

Question 11.

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 false.

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

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

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

Explanation:

Statement I is true because staffing is indeed a fundamental function influencing organisational performance, and its importance has increased with technological advancements requiring skilled personnel. Statement II is false because understanding manpower requirements involves knowing both the number and the types of skills and qualifications needed in the organisation, not just the number of persons.

Question 12.

‘‘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) Gathering and Analysing Market Information

(B) Product designing and development

(C) Marketing planning

(D) Branding

Explanation:

The statement describes companies collecting customer views and opinions through interactive internet sites before making business decisions. This activity is directly related to the marketing function of Gathering and Analysing Market Information, which involves collecting data about customers and market trends to make informed decisions.

Question 13. The process of holding securities in an electronic form is known as :

[1 Marks]

(A) Dematerialisation

(B) Capitalisation

(C) Rematerialisation

(D) Depository

Explanation: Dematerialisation is the process through which physical certificates of securities like shares, bonds, etc. are converted into electronic form and held in an electronic account. This makes trading and holding securities easier and safer compared to handling physical certificates. The other options do not refer to this process: Capitalisation relates to the total capital of a company, Rematerialisation is the reverse process of converting electronic securities back into physical form, and Depository is an institution that holds securities in electronic form.

Question 14.

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) Branding

(B) Labelling

(C) Both (B) and (C)

(D) Packaging

Explanation:

The broken bottles indicate that the package or wrapper used was not sufficient to protect the glass bottles during transit. Packaging refers to the design and production of the container or wrapping that protects the product. Since the bottles were damaged due to inadequate protection, the marketer neglected the packaging decision. Labelling and branding are related to the product's identification and image, not its protection.

Question 15.

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

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

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

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

Explanation:

The correct matching pairs are (a)-(ii), (b)-(iii), (c)-(iv), and (d)-(i) because each concept in Column-II corresponds to the specific meaning given in Column-I. This option correctly aligns each concept with its accurate definition based on the provided context.

Question 16. From the following, identify the incorrect statement with respect to 'Delegation' :

[1 Marks]

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

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

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

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

Explanation: Delegation is the process where a superior assigns authority and responsibility to subordinates at various levels, not just the immediate subordinate. Therefore, it does not have a narrow scope limited only to the immediate subordinate. The other statements correctly describe delegation as a compulsory act, one that increases autonomy for subordinates, and as a process to share tasks within an organisation.

Question 17. _____ 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) Order confirmation slip

(B) Unique order code

(C) Client registration form

(D) Contract note

Explanation: A contract note is a legally enforceable document that a broker must issue to the investor within 24 hours of executing a trade. It contains the details of the trade and acts as proof of the transaction, helping to resolve any disputes or claims between the investor and the broker.

Question 18. Which of the following is not a factor affecting investment decision ?

[1 Marks]

(A) Investment criteria involved

(B) Rate of return

(C) Cash flows of the project

(D) Control considerations

Explanation: Investment decisions are primarily influenced by factors such as the cash flows of the project, the rate of return expected, and the investment criteria involved. These factors directly impact the evaluation and profitability of an investment. Control considerations, however, relate more to management and operational aspects rather than the financial evaluation of the investment itself, and thus, are not considered a direct factor affecting investment decisions.

Question 19.

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 false and Statement II is true.

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

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

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

Explanation:

Statement I is correct because a financial market is indeed a place where financial assets such as stocks, bonds, and other instruments are created and exchanged. Statement II is also correct because financial markets are commonly classified into money market and capital market based on the maturity of the financial instruments traded—money market deals with short-term instruments (maturity less than one year) and capital market deals with long-term instruments (maturity more than one year).

Question 20.

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), (iii), (v) and (vi)

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

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

Explanation:

Standing plans are used repeatedly to handle frequently recurring events or situations. These include Policies (guidelines for decision making), Procedures (prescribed steps to be followed), Methods (ways of performing tasks), and Rules (specific regulations to be followed). Budgets and Programmes are single-use or one-time plans and therefore are not standing plans.

Section B

Question 21.

'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 **Divisional Structure**. In this structure, the company is divided into different divisions based on products such as medicines, medical devices, baby care products and nutritional supplements. Each product category has a different head who is accountable for profits, revenues and costs.
(ii) **Advantage:** As stated, "Each product category had a different head accountable for profits, revenues and costs," which means focused responsibility leads to better control on each product's performance.
Disadvantage: As mentioned, "conflict could arise among different heads with reference to allocation of funds" and "providing a separate set of similar functional heads for each product category increased expenditure," indicating conflicts and increased costs are the drawbacks of this structure.

> **Key Points: Divisional Structure - Separate heads for each product category - Advantage: focused responsibility - Disadvantage: conflicts and increased expenditure**

Question 22.

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

[3 Marks]

Answer: Protective Functions of SEBI:
1. Protecting the Interests of Investors: SEBI safeguards investors from unfair trade practices such as fraud, price rigging, and insider trading in the securities market.
2. Regulating Stock Exchanges: It regulates the functioning of stock exchanges to ensure transparency and fair trading practices.

3. Prohibiting Malpractices: SEBI prohibits fraudulent and unfair trade practices and imposes penalties on violators to maintain market integrity.

Key Points: Protecting interests of investors - Regulating stock exchanges - Prohibiting fraudulent and unfair trade practices

Question 23.

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

(i) Participants

(ii) Instruments

[3 Marks]

Answer:

Capital Market is a market where long-term securities like shares and debentures are bought and sold to provide long-term funds to businesses and government.
Difference between Capital Market and Money Market:
(i) **Participants:** In the Capital Market, participants include companies, investors, brokers, and financial institutions involved in long-term investment. In the Money Market, participants are mainly banks, financial institutions, and the government dealing with short-term funds.
(ii) **Instruments:** Capital Market instruments are long-term securities such as equity shares, preference shares, and debentures. Money Market instruments are short-term debt instruments like treasury bills, commercial papers, and certificates of deposit.

Key Points: Capital Market provides long-term finance - Capital Market participants: companies, investors, brokers - Money Market participants: banks, financial institutions - Capital Market instruments: shares, debentures - Money Market instruments: treasury bills, commercial papers

Question 24.

'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: (a) Product: The customers complained about the lack of variety which shows that the company needs to improve its product component. Refresh Zone should introduce new and diverse coffee flavors and snacks that cater to changing consumer preferences to satisfy customer needs and attract more customers.
(b) Price: The price of coffee at Refresh Zone is significantly higher than competitors, and customers feel the quality does not justify the premium pricing. The company needs to re-evaluate its pricing strategy, either by reducing prices to match perceived quality or by improving quality to justify the premium price. This will help retain customers and stay competitive in the market.

> **Key Points: Product variety improvement - Pricing strategy revision - Aligning quality with price**

Question 25.

State the three leadership styles.

[3 Marks]

Answer:

The three leadership styles are:
1. Autocratic Leadership: In this style, the leader makes decisions alone and expects others to follow them without input.
2. Democratic Leadership: This style involves the leader including team members in the decision-making process and considering their opinions.
3. Laissez-Faire Leadership: Here, the leader gives complete freedom to the team members to make decisions and work independently with minimal supervision.

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

Question 26.

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

[3 Marks]

Answer: Three financial incentives used to motivate people are:
1. **Salary:** It is a fixed regular payment made to employees for their work, which provides them financial security.
2. **Bonus:** An additional payment given for good performance or achievement of targets, encouraging employees to work harder.
3. **Commission:** A payment based on the amount of sales or work done, motivating employees to increase their output or sales volume.

Key Points: Salary - Bonus - Commission

Section C

Question 27.

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 Explained:
(a) **Job Design:** Kapila's job includes a variety of tasks requiring higher knowledge and skills, making her work interesting and challenging, which motivates her.
(b) **Skill Development Programmes:** The company provides training and development opportunities, helping Kapila to grow personally and professionally.
(c) **Promotion Policy:** Kapila is regularly promoted, which boosts her morale and gives her a sense of achievement and recognition.
(d) **Recognition and Job Security:** Management appreciates and rewards her efforts, and the company ensures employee stability, making Kapila feel valued and secure at work. These non-financial incentives together motivate her to stay with the organisation despite higher pay offers elsewhere.

Key Points: Job design - Skill development programmes - Promotion policy - Recognition and job security

Question 28.

‘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: The Controlling function of management is very important for any organisation. (a) It helps to measure progress towards the company's goals. By having a robust control system, Pestle can check how well it is doing in providing high quality and healthy biscuits that satisfy customers. This ensures that the company stays on the right track.
(b) Controlling helps to identify deviations or differences between actual performance and set standards. If there are any problems in production or quality, these deviations are brought to light so that necessary corrective actions can be taken immediately. This makes sure the standards set by the management are accurate, objective, and are being followed properly. Thus, controlling ensures smooth functioning and success of the organisation.

Key Points: Measuring progress towards goals - Identifying deviations and taking corrective actions - Verifying accuracy and objectivity of standards

Question 29.

Explain the following features of Coordination :

(i) Coordination is a continuous process.

(ii) Coordination is an all-pervasive function.

[4 Marks]

Answer: (i) Coordination is a continuous process: Coordination does not happen once and then stop; it is ongoing and continuous. As the activities of the organization change and grow, coordination needs to continue to ensure all parts work harmoniously. Regular adjustments are necessary to meet the new demands and challenges, making coordination a never-ending process.
(ii) Coordination is an all-pervasive function: Coordination is required at all levels and all departments in an organization. It is essential among individuals, groups, and departments such as production, marketing, finance, and human resources. Every function and every activity needs coordination for smooth and efficient functioning, which makes it an all-pervasive and universal function.

Key Points: Coordination is ongoing and never stops - Coordination adjusts as activities change - Coordination is needed in all departments - Coordination works at every level -

Coordination ensures unity of efforts

Question 30.

Explain the following characteristics of Management :

(i) Management is a dynamic function.

(ii) Management is a group activity.

[4 Marks]

Answer: (i) **Management is a dynamic function:** Management is not static; it keeps changing according to the needs and situations of the business environment. It adapts to new challenges, technologies, and market conditions to achieve organizational goals effectively. This dynamic nature helps organizations stay competitive and grow.
(ii) **Management is a group activity:** Management involves coordinating and directing the efforts of a group of people. It is not done by an individual alone but requires teamwork and collaboration among various members of the organization to achieve common objectives efficiently.

Key Points: Management adapts to changes in environment - Management helps organizations grow and remain competitive - Management requires teamwork and collaboration among people

Question 31.

'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 of Global Foods Ltd. is constantly changing due to technological advancements, consumer preferences, and global market fluctuations. This means the company must continuously adapt to survive and grow.
2. **Complexity:** The environment consists of many factors such as commodity prices, exchange rates, political conditions, and technology, which interact and influence the business, making decision-making complex.

(b) Two Points of Importance of Business Environment:

1. **Helps in identifying opportunities and threats:** By understanding the environment, Global Foods Ltd. can spot new opportunities like healthier food products and face challenges such as price fluctuations effectively.
2. **Aids in planning and decision making:** Managers can develop suitable strategies by monitoring the environment to improve current performance and ensure long-term success fulfilling the company's objectives.

> **Key Points: Dynamic nature - Complexity - Helps identify opportunities and threats - Aids in planning and decision making**

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 from Business Point of View:

(a) **Builds Trust and Loyalty:** When businesses protect consumers by providing quality products and fair services, it helps in building trust and long-term loyalty. Satisfied customers are likely to return and recommend the business to others, increasing sales and reputation.

(b) **Reduces Legal Problems:** By following consumer protection laws, businesses can avoid legal disputes and penalties that arise from unfair trade practices or defective products. This helps in maintaining smooth operations and saves money that could have been lost in court cases or fines.

> **Key Points: Builds trust and customer loyalty - Ensures legal compliance and reduces disputes - Enhances business reputation**

Question 33.

Explain the following features of Marketing :

(i) Needs and wants

(ii) Creating a market offering

[4 Marks]

Answer: (i) Needs and Wants: Needs are the basic human requirements such as food, clothing, and shelter. They are essential for survival. Wants are the specific desires or preferences shaped by culture, personality, and society, like wanting a smartphone or branded clothes. Marketing identifies these needs and wants to satisfy consumers.
(ii) Creating a Market Offering: This involves designing products, services, or combinations that deliver value to customers. It includes understanding customer preferences, packaging, features, and pricing to meet customer demands effectively and attract buyers in the market.

> **Key Points: Needs are basic human essentials - Wants are shaped by culture and personality - Market offering involves creating products or services delivering customer value**

Question 34.

Explain the following elements of Promotion Mix :

(i) Sales Promotion

(ii) Personal Selling

[4 Marks]

Answer: (i) Sales Promotion: Sales promotion refers to the short-term incentives or activities aimed at encouraging customers to buy a product or service immediately. It includes discounts, coupons, contests, free samples, and special offers that stimulate demand and increase sales quickly.
(ii) Personal Selling: Personal selling is a direct form of communication where a salesperson interacts personally with potential buyers to explain the features of a product, persuade them to buy, and build customer relationships. It is effective for complex products and helps in addressing customers queries directly.

> **Key Points: Sales promotion is short-term incentive to boost sales - Includes discounts, coupons, contests, etc. - Personal selling involves direct interaction between salesperson and customers - Helps in explaining product features and persuading buyers**

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 calculate the Earnings Per Share (EPS) under both options.

Option I: Total funds = ₹ 30,00,000 through equity shares of ₹ 10 each. Number of shares = 30,00,000 / 10 = 3,00,000 shares. ROI = 12%, so earnings before interest and tax (EBIT) = 12% of 30,00,000 = ₹ 3,60,000. No interest expense in Option I. Hence, Net Profit = EBIT – tax = 3,60,000 – (30% of 3,60,000) = 3,60,000 – 1,08,000 = ₹ 2,52,000. EPS = Net Profit / Number of shares = 2,52,000 / 3,00,000 = ₹ 0.84 per share.

Option II: Funds raised = ₹ 10,00,000 equity + ₹ 20,00,000 debt at 10% p.a.

Number of equity shares = 10,00,000 / 10 = 1,00,000 shares.

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

EBIT = 12% of 30,00,000 = ₹ 3,60,000.

Taxable income = EBIT – Interest = 3,60,000 – 2,00,000 = ₹ 1,60,000.

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

Net Profit = Taxable income – Tax = 1,60,000 – 48,000 = ₹ 1,12,000.

EPS = Net Profit / Number of shares = 1,12,000 / 1,00,000 = ₹ 1.12 per share.

Since EPS in Option II (₹ 1.12) is higher than in Option I (₹ 0.84), Option II maximises shareholders' wealth.

Reason: Use of debt with tax shield (interest is tax deductible) reduces tax and increases EPS, benefitting shareholders.

(ii) If ROI falls to 8%, check whether EPS improves with Option II.

Option I:

EBIT = 8% of 30,00,000 = ₹ 2,40,000.

No interest, so Tax = 30% of 2,40,000 = ₹ 72,000.

Net Profit = 2,40,000 – 72,000 = ₹ 1,68,000.

EPS = 1,68,000 / 3,00,000 = ₹ 0.56 per share.

Option II:

Interest = ₹ 2,00,000.

Taxable income = EBIT – Interest = 2,40,000 – 2,00,000 = ₹ 40,000.

Tax = 30% of 40,000 = ₹ 12,000.

Net Profit = 40,000 – 12,000 = ₹ 28,000.
EPS = 28,000 / 1,00,000 = ₹ 0.28 per share.
Since EPS under Option II (₹ 0.28) is less than EPS under Option I (₹ 0.56), EPS does not improve with Option II when ROI is 8%.
Reason: ROI (8%) is less than cost of debt (10%), so taking debt causes loss in shareholder wealth and lowers EPS.

Conclusion: Option II maximises shareholders' wealth only when ROI > cost of debt. If ROI < cost of debt, EPS and shareholder wealth reduce with debt financing.

> **Key Points: Calculate EPS under both options - Compare EPS to decide best option - EPS improves with debt if ROI > cost of debt - Tax shield benefits with debt - EPS reduces if ROI < cost of debt**

Question 36.

Explain the following features of planning :

(i) Planning is a mental exercise.

(ii) Planning is continuous.

(iii) Planning is futuristic.

(iv) Planning involves decision-making.

[6 Marks]

Answer: (i) Planning is a mental exercise: Planning primarily involves thinking and mental effort. It requires analyzing various situations, evaluating different courses of action, forecasting future events, and deciding the best way to achieve objectives. It is a process of intellectual activity where one uses knowledge and judgement to make decisions.
(ii) Planning is continuous: Since the environment and circumstances keep changing, planning is not done once and for all. It is a continuous process where plans are reviewed, updated, and modified according to new information and changing conditions to ensure effectiveness.
(iii) Planning is futuristic: Planning always focuses on the future. It involves setting goals and deciding in advance the steps needed to achieve those goals. The aim is to prepare for the future challenges and opportunities by anticipating what might happen ahead.
(iv) Planning involves decision-making: Planning requires selecting the best possible course of action among various alternatives. It involves making choices about what to do, how to do, and when to do. This decision-making aspect is central to planning because it determines the direction in which efforts will be focused.

Key Points: Planning involves intellectual activity - Planning is an ongoing process - Planning focuses on future goals - Planning requires choosing the best alternatives

Question 37.

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

[6 Marks]

Answer: Importance of Organising Function of Management:
(a) **Helps in Achievement of Objectives:** Organising ensures that resources are arranged properly to achieve set goals effectively and efficiently.
(b) **Facilitates Specialisation:** Dividing work into different departments or sections helps employees to specialise in their areas, leading to improved performance and expertise.
(c) **Avoids Duplication of Work:** Proper organising clearly defines roles and responsibilities, which prevents overlapping or repeated work.
(d) **Improves Coordination:** Organising creates a structure of authority and communication, which helps in coordinating activities between different departments smoothly.

Key Points: Achievement of objectives - Facilitates specialisation - Avoids duplication of work - Improves coordination

Question 38.

Explain any four psychological barriers to communication.

[6 Marks]

Answer: Psychological barriers to communication are mental or emotional factors that hinder effective communication between people. Four common psychological barriers are:
(a) **Prejudices and Stereotypes**: When a person has preconceived notions or biases about others, it affects how messages are sent or received. This can lead to misunderstandings or ignoring important points.
(b) **Emotions**: Strong feelings like anger, fear, or sadness can block effective communication. For example, someone who is angry may not listen properly or may respond aggressively.
(c) **Attitudes**: Negative attitudes such as mistrust, suspicion or dislike towards others can create barriers. If people do not have a positive attitude, they may not communicate openly or clearly.
(d) **Resistance to Change**: People often resist new ideas or information that challenges their beliefs. This resistance can stop them from accepting or understanding the message correctly.
These psychological barriers affect the clarity and flow of communication and should be recognized and managed for effective interaction.

Key Points: Prejudices and stereotypes - Emotions - Attitudes - Resistance to change

Question 39.

Explain the following steps in the process of staffing :

(i) Estimating the Manpower Requirements

(ii) Recruitment

(iii) Performance Appraisal

[6 Marks]

Answer: (a) **Estimating the Manpower Requirements:** This is the first step in the staffing process where management determines the number and types of employees needed to achieve organizational goals. It involves analyzing current workforce, forecasting future needs based on business plans, and identifying gaps between current and required manpower. Proper estimation ensures that the organization neither overstaffs nor understaffs.

(b) **Recruitment:** This step involves attracting and inviting suitable candidates to apply for jobs in the organization. Recruitment methods may include advertising in newspapers, online job portals, campuses, or through employee referrals. The aim is to create a pool of qualified candidates from which the best can be selected. Effective recruitment helps in hiring the right talent for the job.

(c) **Performance Appraisal:** This is the process of evaluating an employee's work performance over a period of time. It helps to assess how well employees are performing their duties and meeting the organization's objectives. Feedback given during appraisal motivates employees, identifies training needs, and guides decisions about promotions, salary increments, or corrective actions. Performance appraisal is important for improving employee effectiveness and organizational growth.

> **Key Points: Estimating manpower ensures right number and skills of employees - Recruitment attracts qualified candidates through various methods - Performance appraisal evaluates employee performance and guides decisions**

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: Answer:

(a) **Unity of Command:** This principle states that each employee should receive orders from only one superior. In Marut Enterprises, the workers are getting conflicting instructions from the Production Manager and the Sales Manager, leading to confusion and dissatisfaction. By following unity of command, each worker will have a single boss to report to, improving coordination and reducing conflicts.

(b) **Scalar Chain:** This principle refers to clear and formal lines of communication and authority from top management to the lowest level. The workers not being able to contact the Chief Executive Officer in emergencies shows a weak scalar chain. Implementing a strong scalar chain will ensure proper communication and quick decision-making.

(c) **Espirit de Corps (Team Spirit):** It emphasizes fostering harmony and unity among employees. To improve the work environment and morale, management should encourage team spirit which helps in building mutual trust and cooperation among different departments, leading to better productivity.

By applying these three principles, Marut Enterprises can resolve coordination and communication issues, create a positive work atmosphere, and enhance overall productivity.

Key Points: Unity of Command - Scalar Chain - Espirit de Corps